Austria	Sch24	Indonesia	Rp3100	Oman	Or 1
Bahrain	Din0.700	Iran	Ris210	Philippines	Pes40
Belgium	BFr85	Israel	NS3.80	Portugal	Esc180
Cyprus	C£0.90	Italy	L2000	Qatar	Qr9.50
Denmark	DKr12.00	Jordan	Fils1000	S.Arabia	Rls7.00
Egypt	E£3.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk9.50	Lebanon	£1,400.00	Spain	Pta185
France	FFr7.50	Lux	LFr85	Sweden	SKr12
Germany	DM2.80	Malaysia	Rlt4.25	Switz	SFr2.50
Greece	Dr150	Morocco	Dh6.80	Thailand	Bt50
Hong Kong	HK$12	Neth	Fl3.25	Tunisia	Din0.800
Iceland	IKr180	Nigeria	Naira10	Turkey	L1400
India	Rup15	Norway	NKr12.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.31,039 © FINANCIAL TIMES 1990

Thursday January 4 1990

D 8523A

THE GERMANYS

What price reunification?

Page 2

World News

Britain and HK bow to China over Bill of Rights

The British and Hong Kong Governments are believed to be watering down one of the main policies designed to bolster the confidence of the people of Hong Kong because of pressure from China.

They are understood to be abandoning plans to make a proposed Bill of Rights superior to all other laws. Pages 3, 16

Romania frees travel

Romanians will be allowed to travel freely to the West as soon as the tourism ministry can set up facilities to issue passports. Securitate disbanded, Page 2

Lockerbie ruling

A US federal judge ruled that Pan Am cannot be sued for punitive financial damages in the December 1988 terrorist bombing of Flight 103 over the Scottish town of Lockerbie. An appeal is likely. Page 4

US-Managua tension

The ambush of two American nuns in Nicaragua has come amid escalating tensions between the US and the left-wing Sandinista Government in the run-up to next month's elections. Page 4

Botha visits Hungary

South African Foreign Minister Pik Botha began an official visit to Hungary amid signs that the two countries may be moving towards establishing diplomatic relations. Page 3

Peking denies deal

China denied a deal had been reached with the US to free leading dissident Fang Lizhi and his wife who are taking refuge in the American embassy in Peking. China crackdown, Page 3

Americans missing

At least 11 American tourists were feared drowned, more than 48 hours after their tour boat, Santa Barbara, sank off Mexico's Pacific coast.

UK minister resigns

Norman Fowler announced his surprise, but apparently amicable, resignation as Employment Secretary. Page 6

Clean-up continues

Hundreds of clean-up workers on ships and aircraft sought to break up a 260 sq km oil slick menacing the Moroccan coast. Page 3

Volcano erupts

Alaska's Mount Redoubt volcano erupted spitting plumes of ash 40,000 feet into the sky.

Manila refugee offer

The Philippine Government agreed to build a transit centre for 16,000 Vietnamese refugees.

UK lifts ship ban

Britain lifted a restriction on Argentine merchant ships entering a 150 mile (240km) military protection zone around the Falkland Islands, the Argentine Foreign Minister said.

East bloc watch

A Canadian airforce aircraft will fly over Hungary this weekend as part of a new East-West initiative to allow surveillance flights over countries in each other's military blocs.

Hanoi leader to go

Nguyen Van Linh, the Vietnamese Communist Party Secretary-General, will resign at a forthcoming party meeting, Vietnamese officials said.

Dietrich honoured

Marlene Dietrich, the legendary German-born actress and singer, was awarded the Commander of the Legion d'Honneur, the third highest French award, at the age of 88.

Business Summary

Kingfisher launches new attack on Dixons group

KINGFISHER, the UK retail group bidding £568m ($909m) for Dixons, the electrical retailer, launched a new attack on its target, saying Dixons' published profits had disguised the group's problems. Page 17

CETUS, US biotech company, said it had received official permission to sell a novel genetically engineered drug for cancer treatment in West Germany. Page 16

FRENCH diplomat Emmanuel de Margerie is to spearhead the European expansion of Christie's International, the UK auction house, as chairman of its European operations. Page 17

BfG, Bank für Gemeinwirtschaft (BfG), chief executive Thomas Wegscheider, 56, is to resign following lengthy speculation about his future. Page 18

T&N, UK engineering group, said it had reached a "satisfactory" out-of-court settlement with Hill Samuel, the merchant bank, after a three-year legal battle which followed a ground-breaking ruling by the Takeover Panel in 1986. Page 17

EUROPEAN Community looks set to complete its full range of trade and economic co-operation agreements with the newly democratised countries of Eastern Europe. Page 16

POLAND will probably get longer than 10 years to repay its official debts, according to David Mulford, US Treasury under-secretary for international affairs. Page 2

BOND Media, Australian broadcasting group, raised hopes that it may avoid being drawn into the threatened collapse of Bond Corporation Holdings, its parent. Page 18

CHICAGO Mercantile Exchange growth outpaced its rival, the Chicago Board of Trade, last year when trading volume rose by 34 per cent. Page 20

EXXON Chemical, US chemicals company, has underlined the general mood of bullishness in the industry by unveiling plans for a $200m expansion of its business in France. Page 18

SOVIET labour productivity is running far short of official targets, according to Pravda, the Communist party newspaper. Page 2

PHILIPS of The Netherlands, which has led the European semiconductor industry for a decade, is in danger of losing pole position to Siemens of West Germany, according to Dataquest, US marketing consultancy. Page 5

INDONESIA pulled out of an agreement with fellow members of the Association of South East Asian Nations (Asean) to exchange auto components, scuppering attempts to rationalise the region's struggling car industry. Page 5

INDIAN Oil, state-run company, plans to expand refining capacity by building a 6m tonne refinery in the eastern state of Orissa. Page 3

BRITISH and other European life assurers are pressing the Canadian Government to relax foreign ownership rules which restrict their ability to expand in Canada. Page 20

JAPAN has decided to support the Soviet Union's request to obtain observer status in the General Agreement on Tariffs and Trade (Gatt). Page 5

BSN, leading French foods group, is to expand into India by acquiring a major stake in the biscuits empire of J.M. Rajan Pillai, the Indian industrialist. Page 18

Soviets send troops to Iran border after Azeris riot

By Quentin Peel in Moscow

SOVIET troop reinforcements were sent yesterday to the border with Iran after three days of rioting by the local population left the heavily guarded frontier in disarray.

A senior KGB officer, briefing reporters, said yesterday that one person had been killed in the disturbances, although he said no arms had been fired.

Lt-Gen Nikolai Britvin, head of the political department of the KGB border guards, said some 7,500 people had destroyed alarm systems, observation towers and communication lines before rallying on the banks of the River Araks. They had called on Iranians on the other bank of the river to unite.

The movement of troops coincided with reports from officials in the Azerbaijan Foreign Ministry in Baku of a complaint from Iran at the disturbances, centred in the Azeri enclave of Nakhichevan in the Soviet trans-Caucasus.

Wildly conflicting accounts about the cause of the unrest emerged from the region, where a wave of nationalist protests, hitherto directed against the neighbouring Soviet republic of Armenia, has been sweeping Azerbaijan.

Soviet officials, the national media and the KGB, the state security committee, are insisting that nationalist extremists are behind the latest unrest.

But local Azeri officials maintain that it is a local issue, related either to hunger for more farm land, or the failure to relax border restrictions to allow Azeris to visit relatives in Iran and Turkey.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said yesterday that the "extremists" behind the unrest "believe that there is no real need for a border between the Soviet Union and Iran."

He was unable to confirm any protest from Iran.

Lt-Gen Britvin insisted that the border riots had been deliberately inspired. He said: "The organisation of large-scale unlawful actions in the border area was used to whip up tensions and draw attention to the situation in the republic."

He said that a "frontier week" had been declared, from January 1 to 7, to destroy the border structures in Nakhichevan. But he said the situation was returning to normal after reinforcements of armoured vehicles along the border.

Mr I. Petrovas, the local KGB chief, was also quoted by the government newspaper Izvestia as saying that the protests had been prepared for weeks by Azeri nationalists seeking unity with northern Iran.

The same story was told to journalists in Baku, the Azerbaijan capital, who believe that leaders of nationalist demonstrations there in November and December then returned to Nakhichevan.

Nationalist feelings have been running high in the enclave, they say, because of the influx of Azeri refugees from Armenia after almost two years of inter-ethnic strife.

"As far as I know this (unrest) was a spontaneous movement and yet it has been building up in Nakhichevan for weeks," Mr Nazim Ragimov, a Baku journalist, said yesterday. "The demand is to reunite the Azeri nation, which is divided between Iran and the Soviet Union.

"What happened in Nakhichevan only shows the absence of political culture: they think this is the easiest way to achieve nationhood."

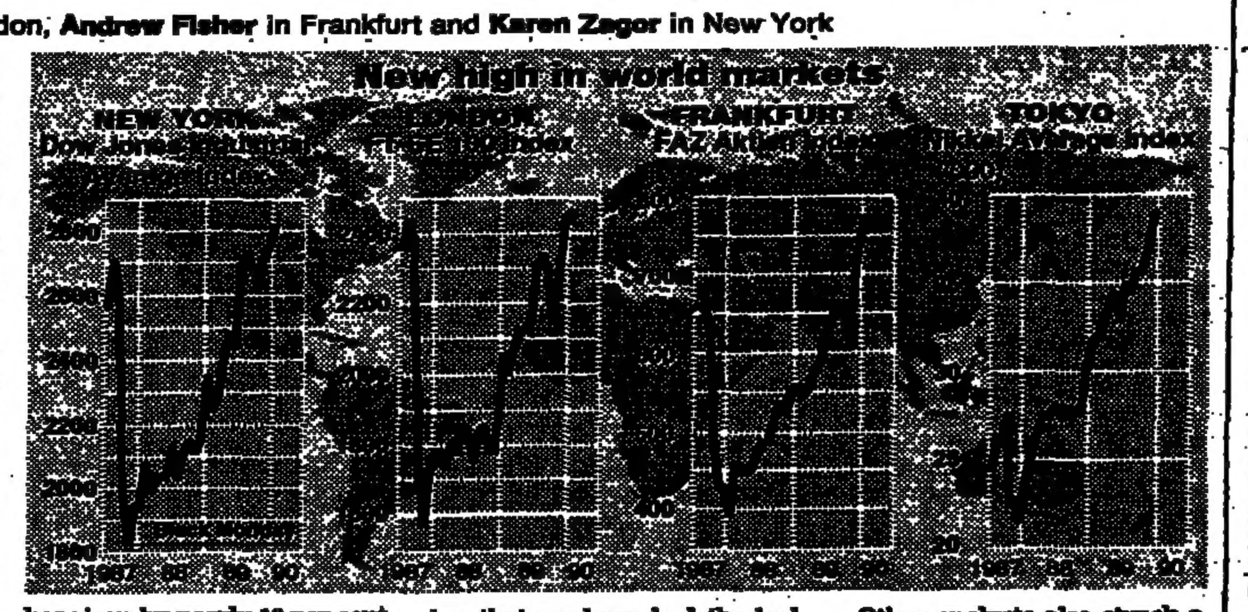
However, local officials in Nakhichevan insisted yesterday that the issue was more localised. They said that far from threatening to burn border posts and attack border guards and their families, as reported by Tass, the Soviet government news agency, the protesters were simply cutting the frontier fence which wired off a stretch of rich farmland.

"There were no pogroms or threats to border guards or their families," Mr Abulfaz Yelfov, a Communist party official, told Reuters news agency. "There were no drunks or people intoxicated by drugs. The whole thing went peacefully."

Anger at the edge of empire, Page 16

Equities soar to record levels on optimistic world outlook

By Simon Holberton in London, Andrew Fisher in Frankfurt and Karen Zagor in New York



SHARE PRICES in Britain and Germany rose strongly yesterday as investors, encouraged by a brightening world economic outlook and rising prices in the US, put pep into new year trading.

The FT-SE 100 Share Index of major British stocks broke through the previous record, of 2,455.2 set on 16 July 1987, to end at 2,463.7 – up 29.6 on Tuesday's close. Yesterday's intra-day trading high of 2,466.2 also established a new record level for the index.

The London market's performance was, in part, led by Tuesday's surge in share prices on Wall Street when the Dow Jones Industrial Average closed at a record high of 2,810.15.

At midsession yesterday the Dow was up just 0.85 at 2,811.00 in trading tempered by profit-taking.

In Continental Europe, continued heavy buying by foreign and domestic investors sent West German stock markets surging to record levels, with the FAZ index easily topping its previous all-time high of nearly four years ago.

Attracted by the combination of a powerful economy, a strong D-Mark, and the prospects for German companies now developing in Eastern Europe, investors purchased a wide range of stocks.

The FAZ index closed 28.72 points, or 3.8 per cent higher at 774.96, compared with its previous high of 753.88 on April 17, 1986. Turnover in German shares reached a record DM13.1bn, nearly double Tuesday's figure.

Since Christmas, the index has risen by nearly 10 per cent. Dealers said they had been taken by surprise at the speed of this year's advance, partly powered by Japanese buying and by the expectation of more when Tokyo markets open today.

Tokyo, which has been closed since December 29, has also been very strong lately, enjoying a rally since the worldwide mini-crash in October. Last Friday, the Nikkei average closed at 38,915.87, a fourth consecutive record high, giving a gain of 29 per cent in 1989.

In London some analysts said investors both in Britain and abroad have been encouraged by forecasts for the UK and world economies and by confidence that economic policy makers would continue to ensure stability.

Mr Roger Palmer, investment strategist at Kleinwort Benson, said: "There is a feeling that we have had the bad news and maybe that it was not as bad as we first thought. The US is not going into recession but slowing to a sustainable growth rate."

In the UK there is also a substantial amount of money to be invested this year by the big City pension funds and insurance companies.

Mr Glenn Davies of Credit Lyonnais, estimated that these institutions have cash assets of £20bn and can expect a further £22bn in new money this year.

He noted, however, that bond markets, where yields have been rising, were pointing to higher interest rates in the short term. Yesterday the monetary authorities in Belgium and the Netherlands raised interest rates and there is speculation in markets that the West German Bundesbank and the Bank of France may soon raise their interest rates as well.

Other analysts also struck a note of caution.

Mr Ian Harwood, economist at Warburg Securities, said "There is an assumption in markets that the world is in safe hands and that the monetary authorities of the major countries will keep the world economy on the straight and narrow. It's a big assumption and they could be in for a rude awakening."

In London, prices for long-dated gilt-edged securities fell by more than half a point, pushing yields above 10.20 per cent.

On Wall Street in mid-session yields on the Treasury's benchmark 30-year bond rose above the 8 per cent mark for the first time since October 18. The long bond was down ⅜, yielding 8.03 per cent.

Lex, Page 16; World Stock Markets, 33

US hints it may compromise over Noriega asylum

By Lionel Barber in Washington

THE US hinted yesterday that it might be prepared to allow asylum in a third country to General Manuel Noriega, Panama's ousted military ruler who has sought refuge in the Vatican Embassy in Panama City.

Mr Marlin Fitzwater, President Bush's press secretary, denied that the Administration was shifting its policy of seeking extradition. He insisted that the US would prefer to bring General Noriega directly to trial in the US on drug trafficking charges, but added: "We're not going to rule out every other alternative."

On Saturday, Mr Bush suggested that a US offer of third country asylum to General Noriega – made on several occasions before last month's invasion – was no longer on the table. "The death of one marine, the brutalisation of a wife of a lieutenant, the death of a lot of our kids, that's what's changed. We are not going back to square one."

But despite the White House's hardline public posture, speculation persists that it may wish to avoid embarrassing disclosures of General Noriega's links to the Central Intelligence Agency in a US trial. Doubts have also surfaced about the strength of the indictments.

The Vatican has rebuffed US pressure to hand over the general on the grounds that he has been granted temporary sanctuary. Now, it has reportedly laid down certain conditions before he leaves.

These include a stipulation that the new Panamanian government files charges against him; that he is assured his life is not in danger; that he will be guaranteed a fair trial; and that he surrenders of his own free will.

A high-level envoy from Rome has arrived in Panama to help resolve the dispute, which is distracting from the serious problem of reconstructing the Panamanian economy.

Even if the US were to offer third country asylum, it needs to find a willing recipient. Some countries once mentioned as possible candidates may no longer be willing to harbour the fugitive. Cuba, the most obvious choice, is said to be unacceptable.

● The US Justice Department said yesterday it had asked West Germany to join four other European nations in freezing General Noriega's assets.

The US, which still believes the general has hidden outside of Panama more than $15m in alleged drug proceeds, sent similar requests last week to Switzerland, Britain, France and Luxembourg.

● Mr Lawrence Eagleburger, the US Deputy Secretary of State, met Panama's new president yesterday but said they would not discuss General Noriega, Reuter reports from Panama City. Panama's Foreign Minister Mr Julio Linares said that Papal Nuncio José Sebastian Laboa seemed more optimistic about a decision.

North Sea oil prices at a four-year high

By Steven Butler in London

NORTH SEA crude oil prices yesterday rose to their highest levels for four years after a surge in US petrol prices.

Cargoes of Brent oil – the most widely traded international crude – for February delivery rose by $1.375 to $21.975 a barrel. Other European oil market prices were equally buoyant.

Continued strong prices would almost certainly result in a new round of retail petrol price rises in the UK.

Although higher oil prices would hit consumers and add to inflationary pressures, they would be welcomed by the exploration and production industry, which has been depressed since prices collapsed in 1986.

Pump prices for diesel fuel in Britain have already risen strongly on the back of strong demand for gasoil, or heating oil, which is made from the same grade of refined product.

The rise in US petrol prices was partly a reaction to the wave of cold weather which has gripped the US for the past month.

This initially drove up prices for gasoil, with European and US refineries working overtime to produce it. However, petrol output was trimmed back and although US temperatures have returned to normal, there is concern about possible shortages of petrol supply.

Other factors contributing to tight markets have been low water levels on the Rhine which have impeded barge traffic into West Germany, and the unscheduled shutdown of some US refineries.

Supplies of Brent crude were also tight.

February gasoil futures on the International Petroleum Exchange in London rose yesterday by $6.50 to close at $214.50 a tonne. Rotterdam spot market prices for premium grades of gasoline (petrol) rallied strongly, with prompt cargoes closing up $10 at $223 a tonne.

Commodities, Page 24

Canadian to chair IMF policy group

By Peter Riddell, US Editor, in Washington

MR Michael Wilson, the Canadian Finance Minister, is to become chairman of the International Monetary Fund's policy-making interim committee.

He will succeed Mr Onno Ruding who resigned last November after he ceased being Dutch Finance Minister.

At the head of Mr Wilson's agenda will be resolution of differences over the size of an increase in the fund's resources, or quotas, and changes in the distribution of voting shares between member countries.

The executive directors, permanent representatives of member countries in Washington, are due to meet tomorrow and next Monday and Wednesday to discuss these issues.

There have been signs of a movement towards a compromise increase of about 45 per cent in the Fund's resources, higher than the 35 per cent

Continued on Page 16

MARKETS

STERLING
New York lunchtime:
$1.6125 (1.6095)
London:
$1.61 (1.612)
DM2.77 (2.755)
FFr9.4625 (9.3975)
SFr2.54 (2.5325)
Y234.50 (235.75)
£ index 87.0 (86.8)

GOLD
New York: Comex Feb
$396.4 (402.1)
London:
$394.5 (401)

N SEA OIL (Argus)
Brent 15-day
$21.975 (+1.375)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.7192 (1.713)
FFr5.87 (5.8525)
SFr1.574 (1.5815)
Y145.275 (146.5)
London:
DM1.7205 (1.7085)
FFr5.8775 (5.83)
SFr1.578 (1.5715)
Y145.65 (146.20)
$ index 67.9 (same)

US LUNCHTIME RATES
Fed Funds 8⅞%
3-mo Treasury Bills:
yield: 7.867%
Long Bond:
101
yield: 8.029%

STOCK INDICES
FT-SE 100:
2,463.7 (+29.6)
FT Ordinary:
1,968.3 (+34.2)
FT-A All-Share:
1,226.83 (+1.3%)
New York lunchtime:
DJ Ind. Av.
2,809.30 (−0.85)
S&P Comp
359.48 (−0.21)
Tokyo: closed

LONDON MONEY
3-month interbank:
closing 15$\frac{3}{32}$%
Life long gilt future:
Mar 92 (92$\frac{7}{16}$)

MARKET REPORTS: CURRENCIES, Page 32; BONDS, Page 20; COMMODITIES, Page 24; EQUITIES, Pages 25 (London), 33 (World)

CONTENTS

A Brazilian leader with little room for manoeuvre

As economic tensions rise in Brazil, all eyes are on President-elect Fernando Collor de Mello (left). Is he the promised radical reformer, or just the latest champion of a centuries-old oligarchy? Page 14

Oil spills: Shipping authorities start looking for a slick response 3
Indonesia: Carmakers go it alone 5
Law & Order: UK police prepare to march to a new beat in the 1990s 6
Men's fragrances: A high degree for one-year old Fahrenheit 8
Editorial Comment: Reprise in Argentina; A fiscal own goal 14
British Industry: Dancing to a more mature measure 15
Lex: Dixon's; First National Finance; Markets; Turner & Newall 16

Europe	2	Agriculture	24	Financial Futures	32	Raw Materials	24
Companies	19	Arts-Reviews	13	Gold	24	Stock Markets	25-36
America	4	World Guide	13	International bonds	20	-Wall Street	34,35
Companies	18	Business Law	7	Intl. Capital Markets	20	-London	30,31
Overseas	5	Commodities	24	Letters	15	Technology	12
Companies	20	Crossword	22	Lex	16	Unit Trusts	26-29
World Trade	5	Currencies	32	Management	8	Weather	16
Britain	6	Editorial Comment	14	Money Markets	32	World Index	36
Companies	21-23	Euro-options	32	Observer	14		

Romanians told threat is over from Securitate

By Judy Dempsey in Bucharest

ROMANIA'S Defence Ministry yesterday denied rumours that more than 30,000 Securitate were hiding in the Carpathian Mountains waiting to strike back at the new leadership and, instead, assured the population that "life was returning to normal."

At the same time, General Vasile Ionel, the First Deputy Defence Minister, yesterday said that many sections of the Interior Ministry, formerly under direct control of the Securitate, had already been transferred to the Defence Ministry.

The Interior Ministry, which had been controlled by Mr Ilie Ceausescu, a brother of the executed former dictator, now controlled only the police, prison guards, the state archives and the fire brigade.

All other departments, including the border guards, were now under the jurisdiction of the Defence Ministry.

The dismantling of the Interior Ministry within a fortnight of Ceausescu's fall has extended far beyond security or military issues.

The ministry was a nerve-centre empowered to monitor the activities of the entire population and, in addition, it controlled the distribution of passports and permits to travel abroad.

With the disbanding of the Securitate, such absolute powers have been stripped away and, for the first time in more than 15 years, Romanians are free to travel.

The intense vetting, bribery and bureaucratic procedures which were once essential practices for applying for permission to travel – let alone acquiring a passport – have all been abolished.

The rapid return to normality after a quarter-of-a-century of totalitarian rule, has also affected the economy.

The National Salvation Front, which has almost filled the ministerial and administrative gaps in the new interim government, has overruled the decree issued in the mid-1980s, in which Mr Ceausescu banned any ministry or foreign trade organisation from borrowing from Western financial institutions.

But because of the paucity of reliable statistics, General Victor Stanculescu, Minister for the National Economy, and Mr Mihail Dragenescu, his deputy, are still working on an economic programme aimed at making the difficult transition from a highly-centralised economy to a more flexible, market-oriented economy.

E Germany lifts veil from 'secret' economic details

By Leslie Colitt in Berlin

EAST GERMANY'S Economics Minister, Ms Christa Luft, yesterday revealed hitherto secret details about the country's economy amid threats from the opposition New Forum to withdraw from round table talks if the Government failed to keep opposition groups informed about national affairs.

The interim administration of the Communist Mr Hans Modrow promised yesterday to keep political opponents better informed and to consult pro-democracy forces before making important decisions.

Mr Modrow's effort to appease disgruntled leaders of the New Forum reform movement prevented the collapse of talks between the Government and opposition groups on guiding the country through the uncertain period before elections scheduled for May.

Ms Luft revealed that East Germany suffered a balance of payments deficit of $2.4bn last year and would need fresh loans from the West to tide it over this year. The gross hard currency debt rose to $20.6bn, while assets were between $7bn and $9bn, Ms Luft told a round table meeting of officials and opposition groups in East Berlin.

It was the first time in many years that an East German official had disclosed foreign debt and trade figures which were not Western estimates. Such basic economic statistics were previously regarded as state secrets. According to OECD figures, East Germany's gross debt stood at $20.2bn at the end of 1988.

Ms Luft said East German exports to the West last year were $9.3bn while imports were $11.7bn. The country had a surplus equal to between DM3bn and DM4bn in its Comecon trade, she noted. Such surpluses, however, were undesirable as they could not be used to buy goods.

Ms Luft said she was "unhappy" about the high proportion of the hard currency debt stemming from imports for current production as well as consumer supplies. This was a legacy of the previous regime of Mr Erich Honecker, the former Communist party leader, and his economic chief, Mr Günter Mittag.

New Forum, the largest opposition group, had threatened to walk out of the talks if the Government failed to reveal the country's economic predicament fully. Its representatives remained, however, after Ms Luft's exposé.

The talks are designed to give the non-Communist groups a voice in policy-making until planned free elections on May 6.

Separately, speaking after a series of anti-Soviet and anti-Semitic incidents in East Germany, Mr Wolfgang Berghofer, mayor of Dresden and one of the Communist party's participants at the round table, acknowledged that right-wing groups in East Germany represented a "serious threat."

A rally against neo-Nazis was held in East Berlin yesterday at the memorial to the Soviet troops killed in Germany in 1945 which last week was smeared with anti-Soviet slogans. Police in the southern city of Gera said six schoolboys and an 18-year-old apprentice were strongly suspected of desecrating a Soviet war memorial there on New Year's Eve.

Ms Christa Luft, the East German Economics Minister, makes a point to opposition leader Karl-Heinz Ducke at yesterday's round table talks in East Berlin

Neo-Nazi slogans were scrawled this week on shop windows and walls in Pirna near Dresden and in Görlitz at the Polish border. The East German authorities admit much of the right-wing extremism is home-grown but accuse neo-Nazi groups in West Germany and the US of providing support.

They also suggest that the disbanding of the state security forces left a law enforcement vacuum, an argument rejected by the opposition as an attempt to revive the organisation. Mr Heinz Galinski, the head of the Jewish Community in West Germany, expressed dismay about the upsurge of neo-Nazi and anti-Semitic incidents in East Germany. He said there was no doubt that close ties existed with right-wing radicals in West Germany.

Poland set to win generous debt deal

By Peter Riddell, US Editor, in Washington

POLAND WILL probably be given longer than 10 years to repay its official debts, according to Mr David Mulford, the US Treasury under-secretary for international affairs.

Talks are due to be held within the next two months between Poland and the Paris Club of creditor nations on the rescheduling of around $30bn in official debts. Poland has already been allowed to suspend interest payments and has not been repaying principal.

Mr Mulford said he expected the repayment terms would be generous. The discussions are likely to involve an initial rescheduling of Poland's 1989 and 1990 obligations amounting to $5bn.

Separately, Mr Mulford said the US had told the Polish Government that it could qualify for a reduction in the burden of its $9bn or so of debts to the commercial banks under the terms of the Brady plan. This is the debt reduction plan launched last March by Mr Nicholas Brady, the US Treasury Secretary, and which has so far applied mainly to Latin America.

Qualifying countries are required to have satisfied the International Monetary Fund about their economic programmes and then to negotiate about the details of debt relief with the commercial banks. Incentives, or enhancements, to encourage these arrangements are provided by the IMF, World Bank and countries such as Japan.

Poland has just agreed a letter of intent with the IMF on its economic plan and on Tuesday the leading industrialised countries formally announced a $1bn stabilisation fund to assist in its foreign currency operations on business transactions.

Bonn attempts to add up the costs of integration

Calculators are working overtime in many Federal ministries, writes David Goodhart

IT IS now widely assumed that a form of economic integration between the two Germanys is feasible quite soon, while full political union will move at a slower pace determined by the broader framework of East-West security relations.

That raises two important questions which are just beginning to be aired in West Germany. First, if integration of the two countries' economic and welfare systems is allowed to proceed speedily, how can it be managed to avoid an enormous financial burden on West German taxpayers? Second, how far can economic integration go without political union?

On the first point, if integration of the economic and welfare systems comes before the East German economy has had a chance to catch up, the short-term cost to West Germany could be enormous, running into hundreds of billions of D-Marks in welfare costs alone, according to some estimates.

Initially at least, the East German pensioner or welfare recipient or civil servant would carry only a small portion of the cost as his/her income was raised to the West German level. Most of the main ministries in Bonn have set up emergency working parties to examine integration models and investigate the potential extra costs of having to extend everything from student loans/grants to housing benefit to East Germany's 16m inhabitants.

But senior officials in the Chancellor's Office and in the Inner-German Relations Ministry believe that fears of a huge bill arising from economic union are over-done. They, like Chancellor Helmut Kohl in his speech outlining a 10-point plan for unity, emphasise the rich variety of integration models from German history and say that some such model could be adapted to suit the circumstances of West and East Germany.

The North German Confederation, for example, formed in 1867, bound together several states is a loose political union which allowed for a considerable variety of social and economic conditions.

Another example is the integration of the Saarland. Part of France after the last war, the Saarland voted in a 1955 referendum for full integration with West Germany but it took a further five years at least before it was economically integrated. "The point is that we can have a step by step integration with East Germany; the people there will not receive West German benefits overnight," said one senior official.

The Saarland is not in fact a particularly appropriate model. While it is true that it remained economically part of France until 1959, the franc then was replaced by the D-Mark overnight. Also, with only 700,000 inhabitants, it was neither as large nor as poor as East Germany is in relation to West Germany. Under French control it survived the immediate post-war period better than many parts of West Germany and its welfare benefits in 1955 were in certain fields superior to those in West Germany.

The idea of raising welfare step by step to a West German level may also fail to stem the continuing flow of East Germans into West Germany if the phasing is too slow. And such a continued outflow raises the spectre of economic disintegration in East Germany and growing pressure on West Germany's welfare system.

> The West German taxpayer could have to finance the pensions, medical benefits and social security of hundreds of thousands of former East Germans unable to contribute to the welfare system themselves over the next few years.

So, even without full-scale integration, West Germany will have much to pay. As long as East German citizens keep the constitutional right to settle in West Germany, the West German taxpayer could have to finance the pensions, medical benefits and social security of hundreds of thousands of former East Germans unable to contribute to the welfare system themselves over the next few years.

The Government in Bonn has naturally focused on the benefits arising from the East German inflow, which topped 300,000 in the last four months of 1989.

Most younger East Germans have had little trouble finding work and will thus help tackle the demographic problems of an ageing population facing West Germany's pension system in the next century. The higher consumption of the immigrants is also thought to have contributed 0.5 per cent to last year's 4 per cent economic growth.

However, Mr Theo Waigel, the Bonn Finance Minister, who previously implied that higher than expected tax revenues would cover the costs arising from the new German-German relationship, has now warned that existing budgets for 1990 and 1991 will have to be pared to cover the extra burden. Some employers are also starting to complain that the quality of workers immigrating now is well below that in the first wave last year.

Yesterday, Mr Bernhard Jagoda, a State Secretary in the Bonn Employment Ministry, visited Mr Ingolf Noack, the Employment Minister in East Berlin, to discuss ways of limiting abuses of West Germany's social system in a world without the Wall. Bonn is particularly anxious to prevent people who remain East German citizens from working illegally in West Germany.

Mr Oskar Lafontaine, deputy leader of the West German Social Democrats, has gone further and raised the question of whether it remains sensible and fair to allow East German immigrants automatic access to West German benefit levels – thereby hastening collapse in East Germany and exacerbating social tensions in West Germany.

His comments were initially howled down and he was accused of wanting to re-build the Wall, but privately many politicians accept he has raised a valid point.

As long as East Germans were still fleeing communism it was politically impossible, and undesirable, to consider ways of blocking their full access to West German citizenship and the various welfare rights that go with it. But on May 7, the day after East Germany's first democratic election, it may be a different matter.

The best incentive to stay, in the eyes of many East Germans, would be an instant economic takeover by West Germany. But, regardless of cost, is such a take-over possible without interfering with the political superstructure?

It is uncontroversial that West-East German business co-operation, along with emergency and infrastructural aid, will gather pace over coming months, but it is not so clear that a single currency, single Economics and Finance Ministries, single tax system, and a single legal and administrative framework for economic life, can be established without some form of full political union.

Patents may be extended on EC drugs

By Peter Marsh

EUROPE'S £25bn-a-year pharmaceutical industry is likely to receive a fillip in the next month with publication of European Commission proposals to lengthen patent protection on new drugs.

The measure, intended to reduce competitive pressures on large research-based companies and strengthen profit margins, may encounter resistance from some governments as well as consumer groups.

Partly due to expected opposition, it is unlikely to become a formal Commission directive before 1992.

The proposal has been under discussion for months between Commission officials and big European-based medicines companies such as Rhône-Poulenc of France, Britain's Glaxo and Hoechst and Bayer of West Germany.

The Commission's move arises from the unease felt by many drug companies about lengthening development times for their products, which in recent years have reduced the effective patent life of many new medications.

Largely due to increasingly strict trials insisted on by government many new drugs take 10-12 years to develop, compared with just a few years in the 1970s.

The long development times cut into the length of patent protection for pharmaceuticals, which is set in most European countries at 20 years from the date of invention. Due to the long development period, often only 8-10 years of legal protection remains by the time the medicines gain official approval for marketing.

The new commission proposals suggest adding a specific period of extra legal protection after the formal expiry of the patent. This extra protection would ensure that the total effective patent life applying to most new pharmaceuticals is set at 16 years, a considerable improvement on the current state of affairs from the point of view of the pharmaceutical industry.

Productivity falls short of Soviet target

GROWTH IN Soviet labour productivity is running well below official pre-set targets, but the Government has made some inroads towards cutting its crippling budget deficit, the Communist party daily newspaper, Pravda, said yesterday, Reuter reports from Moscow.

Citing preliminary figures from the State Committee on Statistics, it said labour productivity grew by 2.5 per cent last year, well short of the 4.5 per cent target.

The newspaper reported that one quarter of all enterprises and trusts had failed to meet pre-set production targets for the year, at a cost to the economy of more than 10bn roubles (about $13bn).

However, the budget deficit had been whittled down to about 92bn roubles from 120bn roubles at the start of the year. This compared to earlier predictions of 95bn roubles.

"This was mainly due to measures adopted by the Government to improve the economy. These helped increase income and cut expenditures by 22bn roubles," Pravda said.

The newspaper, however, warned that there were signs of continued trouble for the economy. Growth in wages continued to outstrip growth in productivity, it noted.

In the past the Government has simply printed more money, pushing up wages and building inflationary pressures, the article commented.

Soviet group planning a rival to Aeroflot

By Paul Abrahams in London

A GROUP of Soviet pilots and engineers is planning to set up a rival airline to compete with Aeroflot, the world's largest carrier.

Six members of the group, called ASDA, visited Boeing last month on a fact-finding mission. They also visited financial institutions in Chicago and New York to discuss means of paying for new aircraft. The party was accompanied by two members of the Supreme Soviet.

Boeing said the group was interested in purchasing between three and five aircraft initially. These would probably be a combination of 747s and 767s.

The company explained that ASDA wanted to use the aircraft on long-haul routes to the US, Australia and South-East Asia. They might also be used on domestic routes within the Soviet Union. It added that ASDA hoped to be running a service in 1991.

The new airline should have little difficulty in finding customers. Although Aeroflot carried 118m passengers in 1988, it has been having difficulties meeting demand for its services. Chris Tarry, an aerospace analyst at Kleinwort Benson, the UK securities house, pointed out that the airline failed last year to carry 15m passengers who had reserved seats. The figure is expected to rise to 20m this year.

The Eastern bloc is proving a lucrative market for aircraft manufacturers. East European airlines are attempting to build up fleets of modern western aircraft to earn foreign capital. Previously they used Soviet aircraft which were uncomfortable and had an unenviable safety record.

Airbus, the four-nation aircraft-making consortium, has sold three A310-300 twin-jet aircraft to Interflug, the East German airline. Airbus says that CSA, the Czech airline has two A310-300s on order, while Adria Airlines, the Yugoslavian company, has ordered five A320s.

Airbus says it is also negotiating with Aeroflot the possible sale of 10 aircraft. These include five wide-bodied long-haul A310-300s at a catalogue price of $60m each, with an option for five more. Airbus is also in talks with JAT, the Yugoslavian airline. Meanwhile, Boeing has sold three 767s to Lot, the Polish airline.

Previous sales to East European companies have needed clearance from Cocom, the Paris-based organisation of 16 Western states which tries to stop the sale of militarily sensitive technology to the Eastern bloc.

Belgium's budget beats the 'snowball effect'

By Tim Dickson in Brussels

THE Belgian Government yesterday claimed a significant economic breakthrough with the announcement that its budget deficit last year fell to BFr397.2bn (£6.8bn), or 6.6 per cent of gross national product.

This figure compares with an actual deficit of 7.8 per cent of GNP in 1988 and a revised target for 1989 of 6.7 per cent which was set last March.

Its main significance, however, is that it enabled a triumphant Mr Hugo Schiltz, the Belgian budget minister, to point out yesterday that the "snowball effect" of debt repayments has been stopped for the first time since the 1970s.

Belgium's vast level of public sector debt – rivalling only Ireland's in a European Community league which nobody wants to lead – has consistently bedevilled the country's economic prospects on the international scene. The weight of borrowings has been most vividly portrayed in the snowball effect, the image used to describe the situation where interest payments expand faster than the rise in nominal GNP.

Mr Schiltz acknowledged yesterday that 1989 had been an exceptional year. Growth throughout the EC (always of particular benefit to Belgium), the Brussels investment boom and the "1992 effect" are among the reasons which analysts cite for the roughly 8 per cent increase in nominal GNP last year.

The budget deficit outcome – which was better than expected – was achieved despite a reduction of BFr50bn in tax receipts thanks to recent fiscal reforms and the higher level of interest rates. It was helped by an exceptionally strong receipts in December.

Analysts pointed out last night that some expenditure that could have been included in the 1989 figures may have been pushed forward to 1990 and warned that battle is not yet won. Higher interest rates and lower growth this year will ensure that negotiations over public spending cuts are as difficult as ever.

Swedes optimistic about joining EC, says poll

By Robert Taylor in Stockholm

MOST SWEDES believe their country will be in the European Community by the end of the century, according to an opinion poll which also reveals pessimism about prospects for the country's economy and support for privatising the health service.

The survey by the national SIFO organisation for the business newspaper Dagens Industri shows that 58 per cent think Sweden will have joined the EC by 2000, while 33 per cent do not.

The ruling Social Democrats at present rule out full membership because of the country's traditional policy of neutrality in defence and foreign affairs. Apparently, most Swedes do not see this as a problem.

The wide-ranging survey reveals surprising pessimism about economic performance in the 1990s, with as many as 50 per cent believing it will grow worse and a further 8 per cent believing it will become "much worse" than over the past decade.

However, 43 per cent of those polled felt they would be better off in the 1990s and a further 9 per cent "much better off", while 42 per cent thought their individual position would worsen.

The poll also suggests that up to 72 per cent of Swedes want to see an increasing privatisation of the country's public health service and child care facilities.

Even 60 per cent of Social Democratic voters favoured this, which suggests support for the traditional welfare state is ebbing.

These figures reveal the widespread concern at strains now evident in the public services, where there are staff shortages, hospital queues and a chronic shortage of places for pre-school children in day-care centres.

Some 53 per cent believe the power of the trade unions will decline during the 1990s, but there remains substantial support among Social Democratic voters for giving the unions a much greater role in public affairs.

Most Swedes do not think that the government will proceed with its declared aim of closing down all the country's nuclear power stations by 2010. Indeed only 41 per cent even believe the Social Democrats will shut the first two reactors in the planned phase-out starting in 1995-96, a decision they they will have to confirm by this autumn.

The SIFO survey reveals that as many as four out of 10 Swedes either hanker for a coalition government of Social Democrats with the main non-Socialist parties – the Moderates and the Liberals – or believe the Social Democrats will stay in power alone.

Ireland borrows far less than forecast in 1989

By Kieran Cooke in Dublin

IRELAND'S PUBLIC finances have improved substantially, according to 1989 Exchequer returns.

Exchequer borrowing last year was down to I£479m (£456m) or 2.4 per cent of gross national product, less than half the figure projected in last year's budget.

Mr Albert Reynolds, the Finance Minister, said the low level of new borrowing was solid evidence of a continuing improvement in the economy and in the public finances. "Government borrowing as a percentage of GNP has been reduced by about four-fifths since 1986 and is now at its lowest level for about 40 years," he said.

A significant growth in tax revenues was the main reason for the drop in borrowing. Overall tax revenue was up by I£430m, 6 per cent ahead of 1989 budget projections.

Mr Reynolds will now be under pressure to make concessions in an end-of-the-month budget on rates of personal tax, which are among the highest in Europe.

Ireland will also have to consider ways of bringing down value added tax and other indirect taxes to levels closer to the EC average.

Mr Reynolds stressed that he had little room for manoeuvre. The country's national debt now stood at I£25bn, with servicing costs alone running at I£bn per year — I£40 per week for every worker in the country.

"The Government is determined to maintain the downward pressure on borrowing and debt which remain too high and are a serious obstacle to economic development and more jobs," he said.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiolettstrasse 54, 6000 Frankfurt-am-Main 1; Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

Portugal's Prime Minister deals himself a new hand

By Patrick Blum in Lisbon

IMPROVING his Government's image ahead of next year's presidential and parliamentary elections provided the main impetus for this week's cabinet changes by Mr Anibal Cavaco Silva, the Portuguese Prime Minister.

Pressure for a reshuffle had been mounting following the ruling Social Democratic Party's reverses in local elections last month and growing discontent with the Prime Minister's style of Government. Rumours, leaks and persistent snipping at the Government over alleged corruption among senior officials forced Mr Cavaco Silva's hand.

Five new ministers were appointed on Monday evening in a move that surprised the party, which had been left in the dark about his intentions. Four ministers were removed, including Mr Miguel Cadilhe, the Finance Minister and one of the Prime Minister's most loyal supporters. The Defence Minister, who combined the function of deputy Prime Minister, was also replaced following his resignation.

Mr Cadilhe is succeeded by Mr Miguel Beleza, Deputy Governor of the central bank, who is regarded as an able technocrat likely to pursue his predecessor's liberal market policies. The ministries for Home Affairs, Agriculture and Health have also changed hands.

The reshuffle was announced before a top-level PSD meeting called to analyse the results of the local elections in which the Socialist Party won control of several cities including Oporto, the country's second largest, and the capital Lisbon, which it was contesting in a controversial alliance with the Communist Party. On present strength, the Socialists are well placed to deny Mr Cavaco Silva another absolute majority in the next election.

The loss in the reshuffle of some of Mr Cavaco Silva's closest associates is unlikely to affect the thrust of government policy or satisfy his critics inside or outside the ruling party. The Prime Minister has maintained firm control over his Government in an effort to distance it from continued inner-party intrigues. This has caused friction between Government and PSD as well as with traditional and powerful interest groups who have seen their influence reduced.

Crippled tanker at risk off Moroccan coast

By Francis Ghilès in Casablanca and Our Foreign Staff

HUNDREDS of clean-up workers on ships and aircraft sought yesterday to break up a 260-square-kilometre oil slick menacing the Moroccan coast.

At the same time, deteriorating weather conditions led to a serious risk that the crippled Iranian supertanker, Kharg-5, which is lying off Morocco's Atlantic seaboard, would break up, spilling the remaining 200,000 tonnes of oil from its hold.

The Moroccan navy mobilised a frigate and seven patrol boats to keep an eye on the spill and lay floating barriers to keep the slick at bay along a 350 km front from the rich fishing grounds of Safi north to Casablanca, the official news agency said.

The Maghreb Arabe Presse agency reported that helicopters of the Royal Moroccan Gendarmerie continued to spray thousands of gallons of dispersal agents on the oil to break up the slick.

Three C-130 Hercules aircraft of the Moroccan air force flew surveillance along the coastline to ensure that none of the oil had washed ashore, MAP said.

The 70,000-tonne spill from the Kharg-5 threatens fisheries, oyster farms, a pink flamingo breeding ground and popular tourist beaches, MAP said, with 100,000 jobs hanging in the balance.

In Paris, Mr Brice Lalonde, the French Environment Minister, who returned to France yesterday, said the super tanker continued to pose a serious threat to marine life. Some experts, however, argued that the risk of catastrophe appeared to be receding, despite south-easterly winds of 27 knots.

Dr Brian Dicks, who has, since December 19, monitored the situation for the International Tanker Owners' Pollution Federation, said yesterday he was confident that "90 per cent of the oil which had spilled into the sea had by now evaporated or been dispersed".

Much of what was left was lying at least 80 nautical miles off the coast. Thus, patches of residue, if and when they reach the shore, "should not constitute a major threat" and be relatively easy to clean up.

French officials in Rabat privately agree with Dr Dicks's assessment of the situation. Yesterday afternoon, a specially-equipped French Cesna aircraft arrived in Casablanca to help the Moroccan authorities work out the exact "geography" of the oil and sheens which are spread out over an area of 800 sq km.

The most threatened port still appears to be Oualida, 170 km south of Casablanca, where booming equipment has been put across the bay in an attempt to protect the famous oyster beds.

● Three sister ships to the Iranian supertanker involved in a massive oil spill off Morocco have recently been seized in the Netherlands because of maintenance defects, Dutch television reported yesterday. Five Iranian-owned supertankers have been seized over the past 14 months and prevented from leaving Rotterdam until they had undergone repairs, according to the television report. Among them were three sister ships to the Kharg-5.

Shipping authorities look for a slick response

Kevin Brown and **David Thomas** assess reaction to the worst year in a decade for oil spillages

THE oil slick off the Moroccan coast caused by the explosions shortly before Christmas on the Iranian supertanker, Kharg-5, rounds off the worst year for oil spillages at sea since 1980.

The devastation of Alaska's Prince William Sound in March after the grounding of the Exxon Valdez focussed the world's attention once more on the safety record of large tankers, but the Exxon Valdez turned out to be one of the first in a clutch of major incidents in 1989, culminating in the Kharg-5.

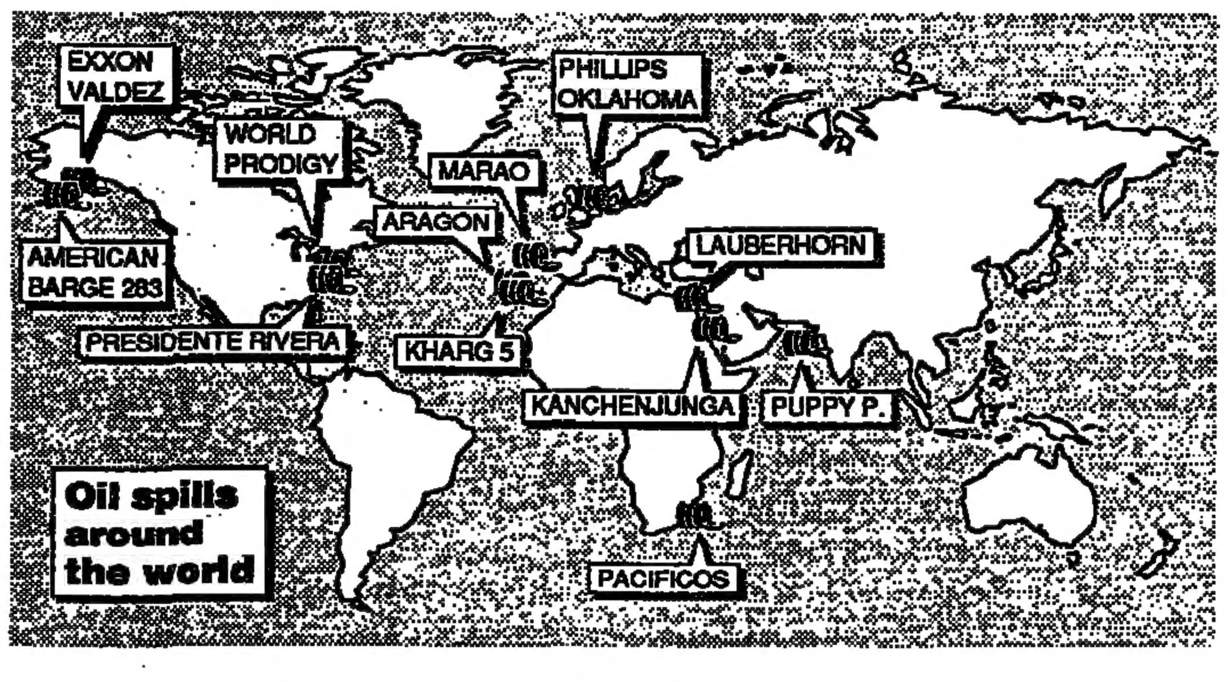
Twelve large spillages due to tanker accidents were recorded in 1989 by the International Tanker Owners' Pollution Federation, a London-based body established by the shipowners. The number of incidents detected by the federation began to rise in 1987 after a quiet period in the mid-1980s.

This spate of supertanker accidents follows a prolonged depression in the tanker industry, causing some to link the two trends.

The tanker fleet is already ageing – almost three-quarters is more than ten years old – yet the spiralling costs of new tankers coupled with depressed freight rates are forcing tanker owners to keep their fleets in operation beyond their retirement dates.

The Moroccan spillage "will clearly raise questions of the well-being of VLCCs (Very Large Crude Carriers) getting towards a fairly old age in the same way as you can have questions about metal fatigue after a jumbo accident," one insider said yesterday.

Shell, one of the largest tanker operator, also points to the worrying implications of the financial squeeze on crew standards: "Of more relevance than the poor physical condition of some of the world fleet is the lack of competence of some tanker crews. This is known to have deteriorated during the recent period of low freight earnings and is a major factor in most pollution incidents," it says.



TANKER DISASTERS IN 1989

Ship	Month	Place	Barrels
American Barge 283	January	Shumagin Harbour, Alaska	23,800
Exxon Valdez	March	Prince William Sound, Alaska	267,000
Kanchenjunga	April	Jeddah, Saudi Arabia	20,000
Presidente Rivera	June	Delaware River, US	7,300
Puppy P.	June	Arabian Sea	38,500
World Prodigy	June	Rhode Is, US	9,300
Marao	July	Sines, Portugal	5,000
Phillips Oklahoma	September	off Humberside, UK	5,600
Pacificos	October	off East London, South Africa	70,000
Lauberhorn	December	Suez Canal	7,000
Kharg-5	December	off Morocco	560,000
Aragon	December	off Madeira	175,000

Source: International Tanker Owners' Pollution Federation

Whatever the explanation for the incidents, there are signs that patience with the spillages is wearing thin among the world's legislators.

The 133 member countries of the International Maritime Organisation, a wing of the United Nations, will meet in London in November to ratify a convention designed to improve preparations for and responses to a major spillage.

Prompted largely by the Exxon Valdez disaster, the convention calls for national response centres in every member state, mandatory shipboard contingency plans and more co-ordination of oil spill response equipment.

How tough the convention will be in practice will depend very much on the small print. The industry is already arguing that ships should not be obliged to carry anti-pollution equipment on the grounds that a captain's first duty after an accident is to save his crew.

The convention, assuming it is adopted, will take several years to be ratified by all member states. A more immediate threat to the shipowners is legislation introduced into the US Congress following the Valdez and a rash of smaller US spillages this year.

US legislators want to enforce structural changes to tankers designed to prevent pollution, particularly through the use of so-called double bottoms – hulls with inner and outer skins. This is intended to reduce pollution in the event of a collision by providing extra protection for the cargo.

Opinion among shipowners is divided. Many, like Mr Loucas Haji-Ioannou, chairman of Troodos Shipping, a privately-owned Greek group which operates more than 40 tankers, believe it is irrelevant to the safety issue.

"There is no ship in the world which will not develop cracks. That will lead to a build up of gases between the hulls and that would be very dangerous. It would be far better to stop ships running aground in the first place by concentrating on eliminating human error. That means no more running in fog, more use of pilots, and better trained crews," he said.

However, Mr Bengt Karlisson, vice-president of Neste Shipping of Finland, says double-bottomed tankers have been in use in the Baltic since 1974 with great success.

Mr Karlisson said Neste had found it more expensive to construct ships in this way, but had made significant savings on operating costs by using the double skin for ballast – the extra weight required to make a ship sail safely.

The impact on freight rates, and hence on energy prices to consumers, would depend on how any requirement for double bottoms was introduced. The impact would be small if it was phased in over a decade, but consumer prices could rocket if seaworthy existing tonnage had to be replaced before it was fully written down.

There is also significant support in the US Senate for a move to pin the entire cost of oil spills on the shipowner.

This issue is unlikely to present much of a problem in the case of the Kharg-5, which is insured against pollution damage of up to $400m, expected to be more than enough to cover the costs of the Moroccan clean-up.

But pollution insurance is not mandatory, and would be unlikely in any case to cover the cost of major spills, such as the estimated $2bn bill for cleaning up the Alaskan coastline following the Exxon Valdez disaster.

Determining liability for pollution is potentially very difficult because of the complex structure of the shipping industry, in which a ship may be owned by one company and chartered to another, with its crew recruited by a third and managed by a fourth.

The International Maritime Organisation has attempted to overcome this problem through a series of conventions guaranteeing no-fault compensation paid from a fund financed by a levy on oil movements.

A 1984 amendment would raise the ceiling on compensation from $73m – widely regarded as too low – to around $250m, but the increase cannot be implemented without US ratification, which is currently under discussion in Congress. This is now delayed pending the outcome of the legislation to pin the entire cost of spills on the shipowner introduced in the Senate.

The shipping community, supported by the IMO and most European governments, says such legislation would be counter-productive because shipowners would set up single-ship companies to trade into the US which would simply be liquidated in the event of an accident.

Whatever the outcome of this argument, US legislators are almost certain to demand some strengthening of the regulations governing the industry in the wake of the recent incidents.

South Africa finds new friends in East Europe

By Patti Waldmeir in Johannesburg and Michael Holman in London

THE South African Foreign Minister, Mr Pik Botha, yesterday began an official visit to Hungary, amid signs that the two countries may be moving towards establishing diplomatic relations.

It was believed to be the first time a South African foreign minister had visited a Warsaw Pact country, and signalled generally improved relations between Pretoria and the Eastern bloc.

Commercial, academic and tourist contacts between South Africa and Hungary have increased in recent months. Other issues that may be discussed during Mr Botha's visit include landing rights for South African Airways, and access to South African mining technology.

An indication of the shift in Hungary's attitudes towards Pretoria came last November, when it abstained in a UN General Assembly vote on tougher sanctions against Pretoria.

Yesterday's news angered African members of the UN, who last night pointed out that Hungary was a member of the UN Special Committee on Apartheid, set up in 1963, which has been in the forefront of the campaign against Pretoria..

South Africa and Hungary are understood to be considering setting up "interest offices" in each other's capitals, leading to the establishment of formal diplomatic relations.

Pretoria may be aiming to increase trade links with Hungary to avoid economic sanctions imposed by Western countries. Businessmen in Johannesburg say export industries have been successful at finding new customers in the Eastern bloc for some orders lost through sanctions. Other targets of South African diplomacy include Poland and East Germany.

Diplomatic contact between South Africa and the Soviet Union – which has long supported Pretoria's main external enemy, the African National Congress (ANC) – is believed to be a more distant prospect. However tensions have eased since the Namibia independence settlement.

Meanwhile, South African police announced they would stop using armoured cars in the black township of Soweto outside Johannesburg. The vehicles, painted bright yellow and known as Casspirs, were a particular focus of black anger during the township unrest of the mid-1980s.

China orders crackdown on students

By Our Foreign Staff

PEKING'S conservative leadership, in power since the massacre of demonstrators last June in the Chinese capital, has called for tougher controls over students, especially those going abroad, and a bigger role in universities for the Communist party.

At the same time, it warned the US that it might retaliate against decisions to allow Chinese students fearing persecution to remain in the US.

Li Tieying, a hard-line politburo member and head of the State Education Commission, in a speech made late last month but only published yesterday, warned that "unstable factors" still existed in universities because of years of shortcomings in ideological education. He added that the sharp increase in political indoctrination since June had not gone far enough.

This onslaught on intellectuals may be in part caused by government fears that the fall of President Nicolae Ceausescu of Romania could bring the students out on the streets again. Hong Kong newspapers have reported that military and police presence in Peking's university district intensified on December 25 when posters referring to Romania briefly appeared.

Hurd will seek to reassure Hong Kong

By Robert Mauthner, Diplomatic Correspondent

MR DOUGLAS HURD, the British Foreign Secretary, will visit Hong Kong from January 13 to 16 at a time when his Government's policy on the future of the colony's population, as well as on the repatriation of Vietnamese boat-people from Hong Kong, is coming under sharp attack at home and abroad.

The main purpose of Mr Hurd's visit is to discuss with the colony's representatives, including Sir David Wilson, the Governor, members of Hong Kong's Executive Council and "a broad cross-section" of its people, the controversial measures Britain has taken to reassure the colony about its future.

These measures, announced two weeks ago, have satisfied neither the majority of the colony's people, nor the right wing of the ruling conservative party in Britain. In Hong Kong, the decision that Britain would allow up to 225,000 Hong Kong Chinese the right to settle in the UK in the run-up to the colony's hand-over to China in 1997, is considered to be totally inadequate as a confidence-boosting gesture. Mr Hurd's conservative critics, on the other hand, argue that the figure is much too high.

The long-awaited nationality package has also been fiercely attacked by the Chinese Government, which claims that it is a breach of the Sino-British Joint Declaration of 1984 on the colony's return to China. The British Government, on the other hand, argues that the passport package is intended as an insurance policy and that its main objective is to prevent a mass exodus of key Hong Kong administrators and business people from the colony before it is handed over to Peking.

Officials in London refused to confirm British press reports that Mr Hurd would announce more democratic rights for Hong Kong, including a greater number of directly-elected members of the Legislative Council, during his visit to the colony.

Mr Hurd, who will be paying his first visit to the colony since his appointment as Foreign Secretary at the end of October, will be seeing Sir David Wilson the day after the Governor's return from Peking.

Legal officer disappears while on bail

By John Elliott in Hong Kong

A SENIOR Hong Kong government legal officer who acted as Director of Public Prosecutions for a few weeks last autumn has vanished while on bail for alleged corruption offences under the colony's Prevention of Bribery Ordinance.

This is the latest of a series of controversies to hit Hong Kong's Legal Department, headed by Mr Jeremy Mathews. Several senior staff are under investigation on a variety of counts.

The government's Independent Commission Against Corruption has also so far failed after 24 months to produce sustainable bribery charges against Mr Ronald Li, former chairman of the colony's stock exchange, and eight other defendants.

The Crown is appealing against Mr Li's High Court acquittal just before Christmas on two charges. A third charge was abandoned by government counsel when the High Court hearings started at the beginning of last month. In November the government scaled down action against Mr Li and the others when it dropped eight out of 16 charges. Three months earlier another charge was abandoned.

The senior official who has vanished is Mr Warwick Reid, a 42-year-old deputy Crown prosecutor born in New Zealand. A warrant was issued for his arrest after the Christmas holiday, which he is believed to have spent in a fishing village on the Hong Kong island of Cheung Chau.

It is believed that Mr Reid was first arrested last October when he was working as the head of the commercial crime unit in the Legal Department's prosecution division. He was released on bail and his passport was confiscated.

Other senior members of the department who have been under investigation include Mr Christopher Harris, a former senior Crown counsel, who is accused of incitement to procure girls under 21 for unlawful sexual intercourse. Initially, Mr Mathews decided not to prosecute Mr Harris and this led to a public outcry. Later Mr Mathews reversed his decision and brought three charges which go to court later this month.

India to build more refineries

By K.K. Sharma in New Delhi

THE government-owned Indian Oil Corporation, the company with the largest turnover in the country, is to expand its refining capacity by building a 6m-tonne refinery at Paradip in the eastern state of Orissa and increasing capacity at four other refineries.

This is in addition a 6m-tonne refinery at Karnal in Haryana state, work on which has started with Soviet help and in partnership with the private sector Tata Chemicals.

Indian Oil officials said the extra refining capacity was needed to meet the growing needs for petroleum products in the country, demand for which is growing at around 8 per cent a year.

The unit at Paradip will process imported crude. Financing of the refinery is still to be worked out but Indian Oil officials said that the Rs13bn (£485m) investment could be raised by the corporation both in the form of equity and loans from capital markets.

If the pattern of financing of the Karnal refinery is followed, part of the funds could be contributed by a private sector partner. This is also the pattern to be followed by the Government-owned Hindusthan Petroleum in setting up a refinery at Mangalore in Karnataka state where its partner is a Birla Company.

Indian Oil has still to decide whether it will import the technology for the Paradip refinery and which country this will come from. This will depend partly on its product mix.

Mr V.P. Singh, India's Prime Minister, has announced during a visit to the north-eastern state of Assam that a new oil refinery would also be set up there. This is also expected to be operated by Indian Oil to process the increased production of crude in the north-eastern states of the country.

Plans to establish new refineries and expand existing units mean that the proposal to use surplus refining capacity in the Middle East has been dropped. The proposal came as a means of easing shortage of funds to establish new capital-intensive industrial projects. A review of such projects is now being carried out by the new Government.

Japanese farmers' co-operative leaves its members behind

Profits and growth seem to have become more important than the interests of members, writes **Cornelia Meyer**

CO-OPERATIVES are supposed to work for their members. But it is not unknown for the organisation itself to become more important than the interests of the membership. Such would seem to be the case with Nokyo, the huge Japanese federation of agricultural co-operatives.

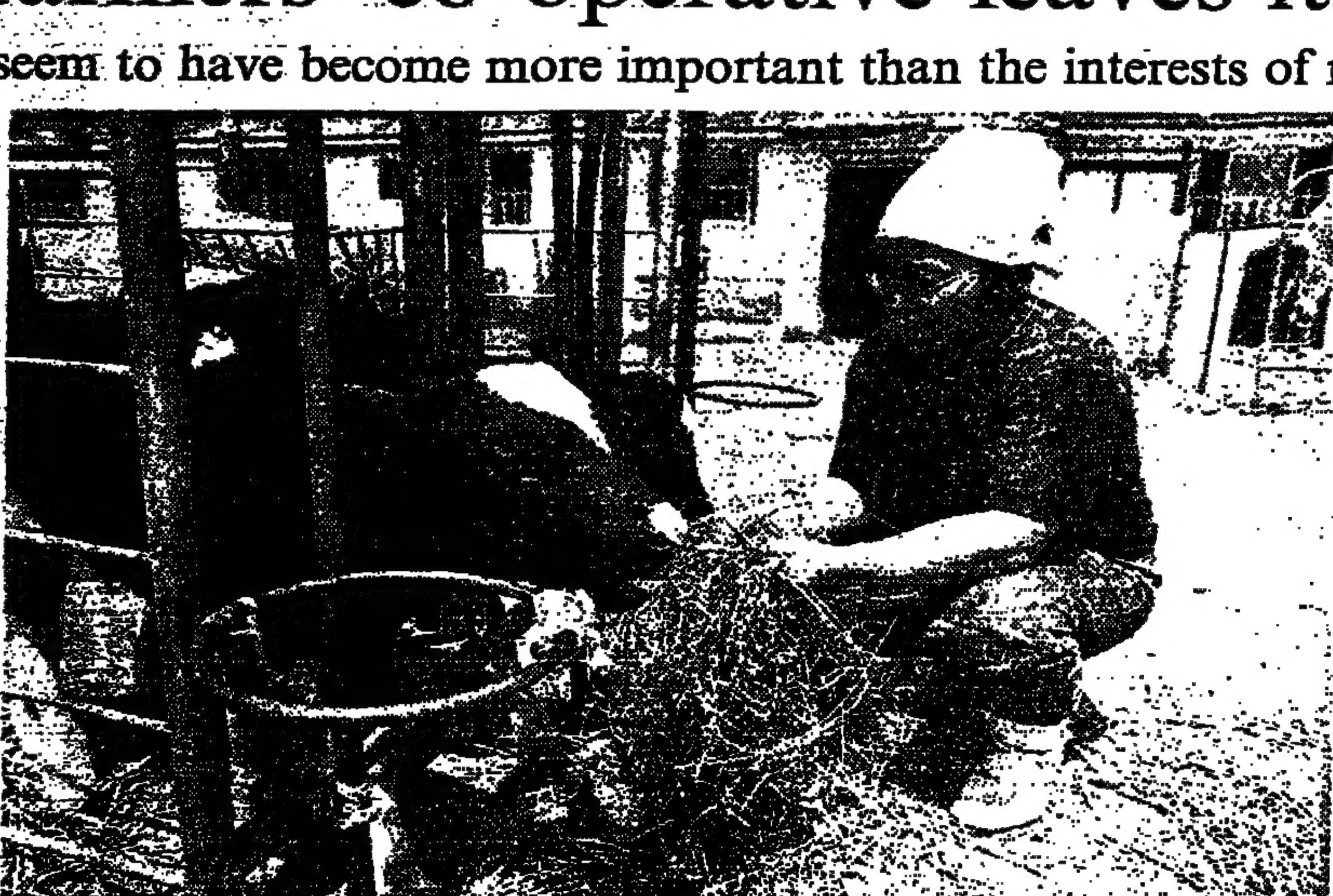
Nokyo is the dominant organisation in Japanese agriculture with some 4,000 individual member co-operatives. Almost every farmer and fisherman in the country belongs, of necessity, because of the organisation's involvement in virtually every aspect of farm life.

The extent to which Nokyo can be said to profit at the expense of its members is illustrated by the contrasting trends of the fortunes of Japan's agricultural sector and those of the group itself.

Between 1965 and 1985, the farming population plunged from slightly over 30m to under 20m, and by the end of the period only 15 per cent of these were full-time farmers. Over the same period, agricultural output remained more or less stable, and the farming sector's share of net domestic product tumbled from 28 per cent to only 2.7 per cent.

Nevertheless, Nokyo has continued to show robust growth in assets and profits year after year. The assets of Nokyo's financial institutions soared from Y441bn in 1960 to Y123,000bn (£531bn) in 1988-89. The value of policies written by Zenkyoren, the group's insurance company, rose from Y3,500bn in 1965 to Y265,000bn last year, making it the largest insurance company in the country.

How has Nokyo managed to achieve this? First by expanding the scope of its activities. Various operating units of the co-operative group import fertiliser raw materials on their own ships, sell it them to fertiliser producers, buy them back to sell through their retail outlets, insure farmers' crops, finance farm machinery purchases, buy farmers' output and re-sell it to wholesalers around the country.



Woman farmer feeding year-old calves on Hokkaido island: a rural vote is worth three from the city

With this sort of scope, Nokyo soon acquired dominant positions in most of the sectors in which it was active. Zennoh, the main operating unit, has a 72 per cent share, worth Y270bn in sales a year, of the fertiliser market. It also acts as broker for 95 per cent of Japan's rice crop.

Has the movement abused its market power? Zennoh says its margins on raw materials are a modest 0.6 per cent to 1 per cent, but this is not the whole story. Dr Albrecht Rothacher, a West German specialist on Japanese farming, has observed that revaluation of the yen between 1982 and 1987 caused crude oil prices in yen terms to drop 74 per cent to Y14,000 per kilolitre. Yet the average price cut in Zennoh's crude oil based fertilisers over that period was only 16 per cent.

Nokyo has lobbied relentlessly and effectively for increases in the Government's rice price supports for the past 30 years, even in periods when farmers' costs were falling.

On the surface, this policy would seem to benefit farmers as Japan's rice prices are now five times the world market level. In fact, it has led to excess production and excessive purchases of farm equipment by farmers, usually financed by Nokyo.

The government has had to impose planting restrictions, which are now hurting all rice growers. Zennoh, on the other hand, has not been hurt, because, even though it handles lower volumes, its commissions have risen with each hike in the government support price.

Nokyo's credit unions, like those of co-operative financial institutions elsewhere, enjoy substantial tax advantages compared with commercial banks. Yet, they do not offer cheaper loans or better interest rates on deposits. They have found that their links with other parts of the Nokyo group are enough to keep bringing in the business.

Nokyo financial institutions handle 97 per cent of government subsidised loans for farm investments. Experts say this is because they are better informed than commercial banks on the overall circumstances of each farmer. Also, simply in terms of presence, they leave the commercial banks far behind. Nokyo has a total of 16,314 financial outlets across the country compared with 341 for Dai Ichi Kangyo Bank, Japan's and the world's largest.

Indeed, Nokyo has gradually transferred the focus of its business from agriculture to finance. Norinchukin, the group's central deposit institution, has Y53,000bn in assets, making it the world's seventh largest financial institution. If assets held by the financial branches of the municipal co-operatives and prefectural credit associations were included, the group's assets would top Y70,000bn, making it the largest in the world.

With the decline of the rural population, one might expect the Government to start scrutinising the behaviour of this financial behemoth with a colder eye. However, the power base of the ruling Liberal Democratic Party – and, come to that, of the Japan Socialist Party too – is still in the rural constituencies, where one man's vote is often the equivalent of three in an urban area and where Nokyo's influence is overwhelming. The LDP is therefore reluctant to crack down on the co-operative or to ignore its lobbying for protection of farm markets.

A few Nokyo executives realise that the group's privileged position cannot last forever. Not only is its natural base eroding, there is also growing evidence of resentment among full-time farmers about its behaviour. For example, Zennoh handles only about 25 per cent of all vegetables marketed in Japan. More than 90 per cent of vegetables are grown by full-time farmers.

Advocates of liberalising Japan's agricultural markets usually claim that the main beneficiaries from more competition would be Japanese consumers. If the liberalisation helped break the near monopoly of Nokyo, it might be good for farmers too. It is perhaps a pity that there is no mechanism for leveraged buyouts of co-operatives.

Cornelia Meyer, a doctoral student at the University of Tokyo, is a legislative assistant specialising in agriculture in Japan's House of Representatives.

Vietnamese party leader to retire

NGUYEN Van Linh, the Vietnamese Communist Party Secretary-General, will resign at a forthcoming party meeting, Vietnamese officials said yesterday. Reuter reports from Hanoi. Officials said Nguyen, who is 74 and has been ill since late October, would step down from the party's top post for health reasons at a plenum of its central committee.

One Eastern European diplomat said: "He has to step down because of his health. If they want to make the Communist Party stronger they need another leader."

GM says it has developed 'full power' electric car

By Our Foreign staff

GENERAL Motors said it has developed an electric-powered car with acceleration performance comparable to internal combustion vehicles.

Mr Roger Smith, GM's chairman, told a press conference in Los Angeles that the new car, called Impact, has a range suitable for urban driving.

"We're now evaluating a business plan to see just how feasible it would be to produce it," Mr Smith said of the new car. No concrete production plans were announced.

The Impact accelerates from 0 to 60 miles per hour in eight seconds and has a projected top speed of more than 100 miles per hour, GM said.

"The performance of the Impact makes it a competitor to today's production cars powered by internal combustion engines rather than other electric vehicles," said Mr John Zwerner, executive director of advanced product engineering for GM.

Unlike previous electric vehicles, the Impact was designed as an alternate power vehicle from the start and was not converted from a petrol-powered model.

"Very importantly, its design intent was to meet all current federal safety standards for mass-produced passenger cars," said Mr Smith.

Impact outpowers other battery-powered vehicles because of new developments in electronics, motor design, structural materials and other factors, GM said. The car demonstrated a 124-mile range in tests at GM's Mesa Proving Ground, it added.

However, GM did not make clear what speeds were used to achieve this range. Prolonged use of electric vehicles at maximum speed or acceleration drastically curtails the mileage which can be covered on a single battery charge.

Mr Smith said the Impact would lead to improved air quality if it could be mass produced economically. With its current battery technology, the Impact requires less than a third of the energy needed by a comparable petrol-powered car.

But the battery technology costs about twice as much to operate, GM said.

Advances in battery life could make Impact as economical to operate as a conventional car if gasoline prices increase substantially, GM said. Mr Smith emphasised that an efficient, clean source of primary energy is needed in order to realise the economic and ecological advantages of the new vehicle.

"If we try to do it all just by burning more fossil fuels we'll be right back at square one," Mr Smith said.

Advances in the Impact's power and range capabilities stem in part from careful attention to weight and to aerodynamic and rolling design efficiencies.

GM said it is applying for about a dozen patents on various innovations in the car.

The company claims that unlike other battery-powered cars, the Impact could be used safely on motorways due to its acceleration and passing capabilities at highway speeds.

Murder of nuns revives Contra row in Managua

By Lionel Barber in Washington

THE WHITE House yesterday condemned the ambush which killed two nuns in Nicaragua as "outrageous", but said it had no information to support the claim that the right-wing Contra rebels were responsible.

The ambush, which killed an American priest, one American nun and one Nicaraguan nun in a remote coastal region comes amid escalating tensions between the US and the left-wing Sandinista Government in the run-up to next month's elections.

The Sandinistas blamed the attack on the US-backed Contras. But the Contras deny any involvement and condemned the attack.

Both sides regularly accuse each other of intimidating civilians in order to influence next month's balloting. The twist this time is that the Sandinistas claim that Contra violence has been stimulated by the US invasion of Panama.

The connection may appear spurious, but it has gained force because of incidents of American high-handedness in Panama, notably the weekend ransacking of the Nicaraguan ambassador's residence which clearly infringed international principles of diplomatic immunity.

President Bush described the incident as a "screw-up". The Nicaraguan government's response to the intrusion was to expel 20 US diplomats in Managua.

Criticism in the US press has been mild, though the veteran liberal commentator Mrs McGrory wrote this week that the US invasion was beginning to resemble Mr Bush's presidential campaign, "sloppy, swaggering and resolutely redneck."

Castro, the Pope and a poison chalice

Richard Gourlay reports on an ideological battle in Latin America

THE DEATH of an American and a Nicaraguan nun on Monday, allegedly in an ambush by US-backed Contra rebels, has focused attention yet again on a region where religious workers are repeatedly victims of ideological conflict.

The killings came just two months after six Jesuit priests were dragged from their houses in El Salvador and murdered, almost certainly by a government-sponsored death squad.

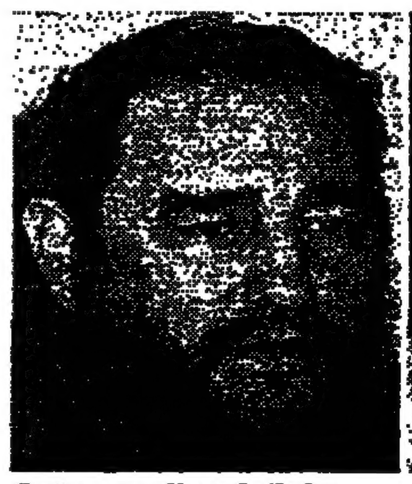
Such violence is a stark reminder of how distant is the kind of religious and political tolerance which dramatically blossomed in Eastern Europe at Christmas and in the Soviet Union following Soviet President Mikhail Gorbachev's meeting with Pope John Paul in November.

As the Vatican looks to its larger Roman Catholic flock in the Third World it will frequently see a more troubled Church caught in nationalist and guerrilla wars and sometimes, unlike in Eastern Europe, one that does not always appear to be on the side of the poor and the oppressed.

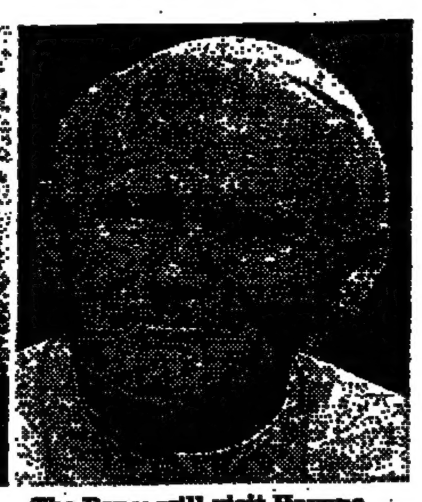
Some attacks on churchmen and aid organisations that opt to work closely with the poor are examples of well-tested right-wing government brutality. A case in point was the killing in 1980 of El Salvador's Archbishop Oscar Romero, soon after slogans daubed on church walls extolled: "Be a patriot, kill a priest".

According to a conference organised by the Catholic Institute for International Relations (CIIR) and Christian Aid late last year, other less direct attacks spring not from governments but from within the Church itself.

A Chilean theologian, Mr Pablo Richard, describes this process as a "neo-conservative" reaction to the Latin American Bishops' adoption in 1979 of the "preferential option for the poor" in which the Catholic Church as an institution is more important than the people to whom it ministers.



Castro: guardian of atheism



The Pope: will visit Havana

Mr Richard is one of the more spirited advocates of the "Liberation Theology" now under siege from right-wing governments, and some Catholic and fundamentalist Protestant groups, several of them offshoots of the controversial American televangelist churches.

However, the call for a less conservative role for the Catholic Church is once again being forcefully put forward as the last decade of the millenium gets under way.

In July last year like-minded Christians from 70 countries launched the campaign in a document called "The Road to Damascus". It described a Church "in crisis" because of the "misuse of religion" by "heretics" who defend oppression and "apostates" who persecute Christians siding with the oppressed.

Then the CIIR and Christian Aid agreed to track the growth of fundamentalist and Pentacostal sects to add form to the case that these groups proffer poison in their chalice.

And the chalices on offer are proliferating. Proportionately the fundamentalist explosion has been greatest in Guatemala. In the last 30 years the numbers professing Protestantism has leapt from 2 to 30 per cent of the population and is now growing annually at 10 per cent, according to Dr Virginia Burnett, of the University of Texas.

Televangelistic marketing efforts by the Pentecostal Assemblies of God and the Latin American Mission, only some of it after the 1976 earthquake, and political violence under various governments was only part of this extraordinary growth.

When President Efrain Rios Montt came to power in 1982 his campaign to oust guerrillas from the hills was heavily backed by the conservative Christian "Moral Majority" in the US. A born-again Christian belonging to the California-based Church of the Word (Verbo), he used his religion as a shield behind which the most appalling atrocities occurred leading to up to 200,000 deaths.

Similar patterns developed in other Central American countries in the 1980s. In Costa Rica about 25 per cent of the population is Protestant compared to less than 1 per cent 50 years ago; in Chile and the Philippines there is similar growth. The progressive church is threatened by more than just Protestant fundamentalism. The Catholic Charismatic Renewal movement, whose adherents believe the essential mission of the church is to heed Christ's command to "go forth and teach all nations" has spawned a number of multi-million dollar projects.

Most notable is "Lumen 2000", an international grouping of Catholic television evangelists, and "Evangelization 2000", a Rome-based group that aims to recoup the numerical losses since Catholicism's "golden era" in the 17th century when nearly a third of the world population bowed to Rome. It aims to convert to Christianity at least 51 per cent of the world's population by the year 2000.

Many "progressive" Church people believe that the current incumbent in the Vatican is unlikely to brook a resurgence of Liberation Theology and, indeed, are already marginalising and ignoring the likes of Cardinal Arns of São Paulo who rejects the conservative "institutional" view of the Church.

Pope John Paul has attracted additional attention to this conflict by agreeing to a 1991 visit to Cuba, a sponsor of revolutionary activity in Latin America, one of the last bastions of orthodox Communism and atheist for 30 years.

The Vatican agreed to the visit only after much diplomatic activity and following a Vatican report by Cardinal Roger Etchegaray on improving church-state relations.

For President Castro, the visit has obvious advantages as it would be seen as a valuable endorsement of the Cuban regime. For the Catholic Church, however, it may only accentuate the growing conflict within its ranks over whether to confront or accommodate the revolutionary movement within the Church.

Pan Am wins Lockerbie ruling

By Alan Friedman in New York

A US federal judge yesterday ruled that Pan Am cannot be sued for punitive financial damages in the December 1988 terrorist bombing of Flight 103 over the Scottish town of Lockerbie.

The decision, by US District Judge Thomas C. Platt, while likely to be appealed, provides at least minor consolation for the seriously troubled airline. Pan Am had been facing lawsuits seeking a total of \$300m in damages over the bombing, in which 270 passengers were killed.

The bombing became an emotive international issue after it was learned that US officials and the airline had apparently been warned that a bomb might be aboard the Pan Am jetliner.

Judge Platt said yesterday that relatives of the Lockerbie victims cannot sue Pan Am because such punitive damages are not permitted under the Warsaw Convention on international air travel.

Since Lockerbie many travellers have avoided flying the US carrier and Pan Am has suffered a widespread decline in traffic. Mr Thomas Plaskett, the airline's chairman, admitted in November that the Lockerbie tragedy and the subsequent introduction of time-consuming security checks had cost Pan Am up to \$250m in lost ticket sales for 1989.

The airline's financial performance deteriorated seriously in the first three quarters of last year.

Pan Am recorded a \$158.3m net loss for the first nine months of 1989 on revenues of \$2.66bn, against a net loss of \$21m on revenues of \$2.73bn during the same period in 1988.

US housing market shows sales surge

By Anthony Harris in Washington

SALES of new single-family homes in the US recovered sharply in November, rising by 9.6 per cent to an annual rate of 710,000, the Commerce Department reported yesterday.

At the same time the October figure, originally reported as a 0.5 per cent fall, was revised to show a 0.9 per cent rise. The house market revival, which is also promising for sales of furniture and consumer durables, will reinforce the New Year bull market on Wall Street.

The new figure, which is nearly 7 per cent above market expectations, is more than 9 per cent above the figure for November 1988, when the market was already weakening, and brings sales for the first 11 months of last year to 612,000, only 3.5 per cent below the 1988 figure.

The recovery will remove fears that the US house market was already in demographic decline, which had been inspired by a widely-publicised Harvard University study. The regional breakdown of the November figures suggests that the continued wish of the US population to move West may sustain demand.

Sales on the West Coast rose 30 per cent to an eight-year record. The property boom has now spread from California, where it has shown some signs of weakening, to the entire coast as far north as Seattle, on the border with Canada. This regional concentration largely explains a rise in the median price paid to \$157,000, a new record.

However, there was also a strong recovery in the industrial mid-West, a depressed region during the Reagan years, where November sales were the highest since 1978, and recovered broadly in the North-East.

However, the average was depressed by a further 8 per cent in sales in the South, the biggest single region, where the market collapse has led to the failure of most of the savings institutions and many of the banks.

The homes sales figures are much more convincing evidence of the underlying strength of demand than the reports which inspired Tuesday's rise on Wall St. The rise in the purchasing managers' index was largely discounted by the purchasing managers' own organisation, and the rise in construction spending was mainly a reflection of work to clear up the earthquake and hurricane disasters.

Brazil's alcohol problem gives economic headache

Ivo Dawnay reports on the consequences of a shortfall in the country's sugarcane-based fuel

BRAZIL has an alcohol problem - it can't get enough of the stuff. Fifteen years after its inception, Proalcool - the world's largest-scale and most costly programme to develop an alternative to petrol - is collapsing.

Just as the busy two-month holiday season gets underway, filling stations in the populous central-south region are finding their supplies of sugar-cane-based alcohol fuel are drying up.

Frantic efforts to fill a 1.5m litre shortfall in production - equivalent to two months' consumption - with imported methanol have been ruled out by the law courts as a health hazard.

Technicians are looking into the difficulties of using various types of ethanol derived from corn or grape from the European Community's wine lake. But officials of the Institute of Sugar and Alcohol (IAA) have warned that in some areas owners of the country's 4.5m alcohol-fuelled cars, a third of the national fleet, will simply have to do some walking before the next sugar harvest in April.

How has Brazil managed to add an alcohol crisis to the myriad diseases now riddling the economy?

In part, the answer is sheer government incompetence; in part, the old enemy, inflation. Petrobras, the state oil company, has been warning of a supply shortfall since as far back as 1985. As tax incentives on new cars and fuel continued to persuade motorists to buy alcohol power the trajectory of demand went skyward.

Less than two years ago, more than 90 per cent of the 750,000 new cars rolling off the assembly lines for the domestic market were alcohol models.

'It is believed a considerable amount of alcohol is hidden to be supplied on the black market.'

Today, that is reversing so fast that alcohol cars are all but unsaleable. Meanwhile, sugar producers are up in arms with the Government over pricing.

As world sugar prices have moved to one of their cyclical highs on the free market, farmers and distillers claim that the authorities' efforts to restrain inflation have meant that fixed prices for sugar quotas have been held below costs.

This is disputed and some distillers admit that efficient plants are still profitable. Emerging from the claims and counter-claims is evidence of considerable brinkmanship by the industry, with 29 distilleries shut down — some would claim to force the government's hand.

It is also believed that a considerable amount of alcohol is hidden to be supplied on the black market, adding to the shortages.

A legal tussle has also been underway in the courts between producers demanding the right to sell in the overseas market and a government desperate to maintain stocks at home for fuel. More worrying in the longer term is evidence that some farmers — convinced that the Government will continue to hold down prices — have moved to other more profitable products like orange juice.

In consequence, as demand has continued to rise by about 2bn litres a year, production has remained static at about 12bn litres since 1985.

Astonishingly, it was only at the beginning of this year that the industry set up a working group with Petrobras to look into the supply crisis.

Part of the sugar programme's problems are merely the fruit of its success. Originally conceived during the oil shocks of the 1970s as an alternative source of strategically essential fuel, the first stage of the Proalcool scheme was modest. It sought to diminish the country's 800,000 barrel per day oil demand by mixing ethanol with petrol and, thereby, reducing the strain of the fuel import bill on the country's stretched balance of payments.

But so widely hailed was the scheme, that Brazil's military rulers flushed with a rare success decided to take the more dangerous second step of producing the world's first all-alcohol powered cars. Ecologists lauded the low-polluting fuel, and initially sceptical motor manufacturers' warmed to the programme as a chance to develop new technologies.

It was the fall in the world oil price that caused Proalcool's downfall. Had prices for crude oil remained close to \$40 a barrel, Brazilian alcohol would now already be economic at a ready for consumption price of \$45.

Technical developments mean that Copersucar, the industry's largest 65-company co-operative, believes that this can be lowered to \$35 within five years. But world oil prices remain stubbornly around or below the \$20 level.

A number of measures have been taken in the last few months to resolve the immediate supply problem. The crucial preferential pump price rate for alcohol - long held at 65 per cent of that of petrol - has been slimmed to 75 per cent. São Paulo state has raised taxes on ethanol cars to parity with petrol ones. And as rumours circulate of a government move to lift prices further — possibly to parity with petrol — an Alcohol Car-Users Association has been formed to fight Brasília.

But all of this has been too little and too late to avoid some supply shortfalls this year. It has also raised longer term questions on the future of the fuel. For Petrobras, the crisis is less one of alcohol than of diesel. Alcohol's displacement of petrol as the country's first-choice car fuel and the continuing steady demand for diesel in the commercial, public transport and farm sectors has meant the company has had the worst of both worlds.

'Oil companies want it to disappear and they create problems for those who cross their interests'

Diesel, refined from crude oil, has left its by-product of surplus petrol on a market with no buyers. Brazil is consequently having to ship the fuel to foreign purchasers at prices that are at best break-even and could rapidly shift to a loss. At the root of the alcohol issue is Brazil's chronically short-sighted planning.

Many argue that the programme should never have extended beyond being an additive to petrol.

Others, like distinguished engineer, Mr Jaime Rotstein, believe that the fuel remains an essential alternative energy option for Brazil and the world. He claims that when all the costs are added up — such as that of servicing debts incurred to buy crude oil — the real price margin between alcohol and petrol is low.

"Alcohol gives employment and it is paid for in cruzados," he says. "The oil companies want it to disappear and they create problems for those who cross their interests."

Environmentalists are also passionate about sugar-alcohol as an alternative, low-polluting renewal energy resource of the future.

This may be true. But the one uncontestable fact now facing Brazil is that somehow it is now managing to export petrol and import substitute ethanol fuels at costs way above those of crude oil.

All this to supply a product originally developed to save precious hard currency.

WORLD TRADE NEWS

Franco-Taiwanese frigate deal may upset China

By William Dawkins in Paris

THE FRENCH Government yesterday authorised its naval dockyards to negotiate the FFr10bn ($1.7bn) sale of six light frigates for Taiwan, thereby courting a serious diplomatic row with China.

The decision, by an inter-ministerial committee on military exports, comes only a few days after the Peking Government warned France that any such sale would be "direct interference in China's internal affairs". Peking's relations with France are already under strain because of French tolerance of Chinese dissident activity in Paris.

This would be the largest European defence equipment sale to Taiwan since the Netherlands supplied it with four submarines in 1981, provoking an immediate downgrading of Chinese diplomatic relations with the Dutch.

It would be a big boost for flagging French arms exports, FFr37.5bn to all destinations in 1988, an increase on the previous year but a serious decline from a FFr62bn peak achieved in 1984.

French Government officials expect Taiwan to decide on the deal within weeks. "Negotiations are in the final phase. We have reason to think they will choose French ships," said one.

The vessels on offer are 1,200 tonne La Fayette class frigates, which would be supplied without weaponry, stressed officials. However, they will be fitted with electronic surveillance gear like radar and sonar. They can carry helicopters and are designed for surveillance. This is a new class of vessel, due to enter service with the French Navy in 1994. They will be made at the Lorient naval dockyard, just north of St Nazaire on the Atlantic coast.

Officials said the decision constituted no change in French policy towards China and "in no way affected its security". There was no intention to hide any sale from the Peking authorities who had been formally told about the possible deal, said French officials.

● Britain's Westland has won an order from Portugal for five Lynx anti-submarine helicopters, Reuter reports from Lisbon.

The deal was closely contested by US firm Kaman Corp which makes the SH-2F "Seaspray" light helicopter. UK embassy officials said London would offer a financial package, including a Government grant towards the purchase, training for Portuguese pilots and preferential credit terms.

Neither party would reveal the exact cost. Industry sources said five Lynx would normally cost about £50m ($80m), although Portugal was paying less under the package.

Tokyo in policy switch on Moscow and Gatt

By Our World Trade Staff

THE Japanese government has decided to support the Soviet Union's request to obtain observer status in the General Agreement on Tariffs and Trade (Gatt), Yomiuri Shimbun, a leading Tokyo newspaper, reported yesterday.

The newspaper, quoting unnamed government sources, said Tokyo had made a big policy shift and now favoured observer status after the conclusion at the end of this year of negotiations in the Uruguay Round over the liberalisation of trade. However, Japanese officials – because of the New Year holidays – were unavailable for comment.

But even if the change in Japan's policy is acknowledged officially, full membership by the Soviet Union of Gatt is still some years off.

Tokyo has been one of the strongest opponents against allowing Moscow observer status at Gatt because of the Soviet Union's refusal to return the Southern Kurile islands, which lie just north of Japan and were seized at the end of the Second World War.

Negotiations between Moscow and Tokyo in an attempt to draft a treaty to put a formal end to hostilities have foundered over the issue of the islands.

The proposal to give the Soviet Union observer status was agreed at the Malta summit last month between Presidents Bush and Gorbachev. The EC has also given its support.

In theory, the Soviet Union could be granted observer status in February at the next Gatt council meeting, which acts by consensus. If Japan confirms officially that it has come out in support of Moscow, it could reflect growing backing for such a move. Observer status is usually regarded as a first step towards full membership.

But full membership would still be some way off. Japan reflects the views of most Gatt members that there would be little point in Moscow applying before the completion of the complex and far-reaching issues at stake in Uruguay Round.

US doubles Colombian cut flower tariffs

By Sarita Kendall in Bogata

THE US trade authorities, in a new anti-dumping measure, have almost doubled tariffs on some Colombian cut flowers. However, Colombia has four months in which to appeal against the US International Trade Commission's decision.

In a similar case in 1987, an appeal brought the 8.9 per cent rate down to 4.4 per cent, and the 8.5 per cent tariff just introduced may in turn be reduced. It affects standard and miniature carnations, as well as pom-poms and chrysanthemums.

These flowers make up the bulk of Colombia's flower exports to the US, and the new tax would involve extra payments of about $5m.

The US flower industry has been claiming that Colombian growers sell cut flowers well below production costs. Between January and September 1989, Colombia exported $130m worth of flowers to the US and about $30m to other markets.

Philips 'risks losing lead in European chip market'

By Alan Cane

PHILIPS of The Netherlands, which has led the European semiconductor industry for a decade, is in danger of losing pole position to Siemens of West Germany, according to figures from Dataquest, the US-based marketing consultancy.

Dataquest's analysis shows that Philips sold $967m worth of semiconductors in Europe last year, a decline of 5 per cent on its figure for 1988, while Siemens displaced SGS-Thomson of Italy and France to become number two supplier, with sales of $938m.

Siemens' sales grew by 65 per cent between 1988 and 1989, the result, Dataquest says, of the "runaway" success of its direct random access memory (DRAM) chips, which now account for 35 per cent of its total European sales.

The decline in Philips' sales growth seems to be due to the fact that about 60 per cent of its business in Europe is in lower technology analogue or discrete components, which experienced particularly poor growth in 1989.

SGS-Thomson, although losing second spot to Siemens, nevertheless experienced the third-highest growth of the top 10 companies in the European market, due in part to its acquisition of Inmos, the UK-based company which pioneered the transputer computer-on-a-chip.

The report shows that the overall European semiconductor industry grew by 14.3 per cent in dollar terms last year to reach a total value of $9.7bn. Worldwide, the semiconductor industry grew by an average of only 9.8 per cent. When measured in local currencies, the European market grew by 22.6 per cent, faster than either the North American or Japanese markets.

Among the industry developments which contributed to this growth was the incorporation of electronic fuel injection and anti-lock braking systems in mid-range motor vehicles, both of which use substantial volumes of semiconductor memory and microprocessors.

Asean auto rationalisation scuppered

By John Murray Brown in Jakarta

INDONESIA has pulled out of an agreement with fellow members of the Association of South East Asian Nations (Asean) to exchange auto components, scuppering attempts to rationalise the region's struggling car industry.

Indonesia's decision, formally announced at the recent Asean economic ministers meeting, was confirmed by officials in Jakarta this week. It represents a setback for Asean co-operation at a time when officials are striving to co-ordinate economic policy in the face of the worldwide trend towards trade blocs.

The announcement also puts a severe dent in Japan's plans to integrate its regional subsidiaries.

Japanese officials estimate component trade could be worth $100m a year, taking advantage of the region's low wages and exchange rate differentials. But Indonesia says it intends to produce all car parts locally before contemplating the so-called brand-to-brand complementation scheme.

Jakarta is concerned that, as the largest market, Indonesia would see a surge in imports when it is trying to contain its trade deficit.

Any agreement would also involve considerable trade legislation to reduce the number of car parts, such as steering and rear axles, which incur outright bans.

The local industry, which started assembling imported car kits, has increased its manufacturing capability and is targeted to make all components for a range of commercial vehicles by 1991. Annual sales are around 160,000 units, barely half the total installed capacity.

● China will produce 510,000 vehicles this year, down sharply from the two previous years, as a government austerity policy continues to suppress demand, the China National Automotive Industry Corp said yesterday, AP-DJ reports from Peking.

China produced nearly 600,000 vehicles – almost all trucks and buses – in 1988 and 560,000 vehicles last year.

Indonesia's carmakers go it alone

John Murray Brown on a move away from global manufacturing

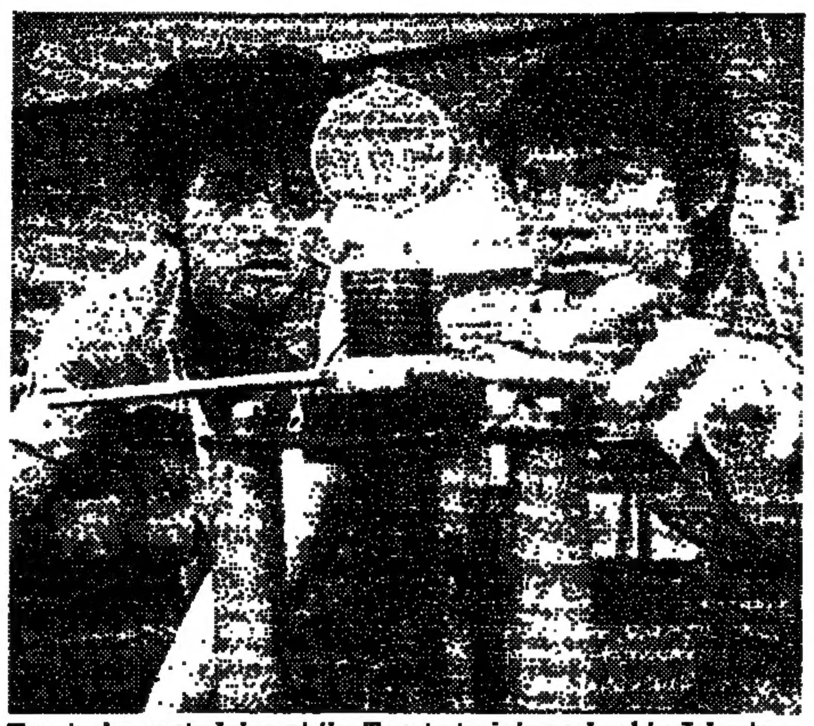
AN ENGINE made in one country, a transmission system from a second, the electrics from another – today the average car resembles a mechanic's map of the world.

Indonesia, it seems, intends to be different. While worldwide the auto business moves steadily towards global manufacturing, Indonesian carmakers – proud, independent and close to bankruptcy – have decided to go it alone.

Last month in the latest gesture of industrial brinkmanship, Indonesia withdrew from a so-called brand to brand complementation scheme – a plan agreed by members of the Association of South East Asian Nations to exchange components, in an effort to rationalise production costs and raise the international competitiveness of the region's car factories.

A report in July by the Consultative Committee of the Japanese Automobile industry concluded that Asean co-operation was essential to improve efficiency and deepen the region's industrialisation. Indonesia's decision to abandon the plan thus provides a timely reminder of the limits to co-operation within Asean, a political alliance struggling to find common cause on a range of trade and industrial issues.

It also represents a serious dent in Japan's plans to rationalise its South East Asian car plant. Toyota and Mitsubishi, the region's largest producers had endorsed the scheme, promising new investment to upgrade their Asean plant.



Two trainees studying at the Toyota training school in Jakarta

Toyota announced a $215m expansion programme in September, arguing that what the company lost in scale economies compared with a plant in Japan would be made up by exchange advantage and the cheap labour.

Every country would like a complete industry, says Mr Teddy Rahmat, the head of Astra, Toyota's Indonesian joint venture partner and the company chosen to spearhead the bid to build a totally home-grown car.

But Indonesia's stance is more than just industrial chauvinism. As Asean's largest market, with a population of 175m, officials fear the agreement could prompt a surge in imports, adding to its already considerable trade deficit. They argue it would require substantial new trade legislation to agree tariff reductions. Indonesia, unlike other Asean members, bans the import of certain auto parts.

Indonesia's industry is also dominated by powerful vested interests, who together with Japanese and other foreign manufacturers have invested more than $2bn since the mid-1960s. As Mr Soeparno Prawiroadiredjo, Director General of Basic Metals, puts it, the protection is for them.

The industry which started out doing vehicle assembly of CKDs – completely knocked down kits – has now launched a local manufacturing programme. The idea is to promote commercial vehicles at the expense of passenger cars which officials consider a luxury the country can ill-afford. The business was also to link with local steel, aluminium and rubber processing industries.

Total sales in 1988 reached 162,000 units. Of that, more than two thirds were commercial vehicles, protected by a wall of tariffs, and a total ban on the import of built-up cars. Even with the tariffs, some producers prefer to import components, because of the short production runs.

Imported kits absorb around $800m a year in foreign exchange. Even the Kijang, Toyota's local brand, contains less than 50 per cent local content, according to company officials.

The target date for full manufacture which has been repeatedly revised, is now set for 1991.

Toyota has just started machining cylinder blocks for the 5K petrol engine used in the Kijang. The company expects to start casting later this year.

Honda has been awarded a licence to manufacture transmission systems. Officials say Toyota will follow.

In the short term it seems only the precision tasks like the gears and carburettors will still have to be imported.

The gamble is that as the yen appreciates further so the Japanese will be forced to relocate even more component production to Indonesia.

Thatcher suffers mid-term blow as Fowler resigns

By Philip Stephens, Political Editor

MRS MARGARET Thatcher yesterday promoted Mr Michael Howard to the Cabinet as Employment Secretary following the surprise, but apparently amicable, resignation of a newly-ennobled Mr Norman Fowler as Employment Secretary.

Sir Norman Fowler

Mr Fowler, whose unexpected departure was announced in a cordial exchange of letters with the Prime Minister, said that he was leaving the Government after 10 years for family reasons. He was promptly rewarded with a knighthood by the Queen on the Government's recommendation.

As one of Mrs Thatcher's most loyal supporters and an effective if not-so-glamorous minister, the move will come as a blow to Mrs Thatcher during one of her most difficult mid-term periods.

The Government is lagging behind the opposition Labour party by almost 10 points in the opinion polls and facing further unpopularity with the introduction of the community charge, or poll tax, the reform of the health service and a continuing economic squeeze.

There was speculation at Westminster that his failure to win promotion in last July's cabinet reshuffle had persuaded the 51-one year old minister to look for an alternative career.

He first told Mrs Thatcher of his intention to stand down in November, but agreed to wait until after the crisis sparked by Mr Nigel Lawson's resignation as Chancellor of the Exchequer had abated.

Mr Howard, regarded as a bright technocrat who will support Mrs Thatcher on most issues, may see the promotion as a reward for his role in piloting through Parliament the poll tax and water privatisation.

His first task at Employment will be the Government's bill to end the closed shop – when a single union holds sway in a workplace – and to outlaw wildcat strikes. That is expected to mark the end of the trades union reform which the Government began in 1979.

More fundamentally, however, Mr Howard must oversee the introduction of the employer-led Training and Enterprise Councils which will take control of the Government's job training programmes.

IN BRIEF

British Steel begins £6.4m tests on iron production

BRITISH STEEL started test runs yesterday on what is claimed to be the world's first production of iron using direct injection of oxygen and granulated coal.

Hoogovens of Holland and Ilva of Italy are also contributing to the project which is costing £6.4m and is aimed at cutting coke consumption in blast furnaces by more than half.

Boston port sold

THE municipal port of Boston, in Lincolnshire, was sold to two local companies yesterday for £4.1m, making it the first publicly-owned port to be sold to the private sector since the Government urged local authorities to investigate the benefits of privatisation.

Assurance pressure

THE public is still being pressurised in buying life assurance products that generally do not suit their needs by salesmen whose training may be far from adequate, according to the Consumers' Association.

Anti-CFC project

A PROGRAMME to remove ozone damaging chemicals from old refrigerators is to be carried out by the Bird group of recycling companies in cooperation with ICI and a German engineering company.

The initiative to remove chlorofluorocarbons (CFCs) has been taken following talks between the Government and the Bird group.

Welsh house prices

HOUSE prices in Wales rose by almost a third last year, according to the Principality Building Society, the largest principality-based society. It forecasts that with companies moving into Wales in increasing numbers the rise will continue.

Female work survey

THE 1990s could see a dramatic increase in the number of women returning to work, according to a new survey of 1,500 companies by Blue Arrow Personnel Services.

Hundreds of companies said they intended to recruit more women throughout the decade in what promises to be an increasing trend.

Russian on TV

CHANNEL 4, the independent UK TV station, is paying £5m to screen the most expensive season of Russian films, documentaries and arts programmes ever seen on Western television.

Green investment

GREEN investors are to be given a chance to back their beliefs with a £1m share issue. The Centre for Alternative Technology, set up 15 years ago to demonstrate and study better use of resources and alternative energy supplies, is to be floated as a public limited company.

Ulster bomb blast

A PART-time soldier in the Ulster Defence Regiment was seriously injured yesterday in a bomb attack.

The booby trap device exploded under his car in a car park in the centre of Magherafelt, Co Londonderry.

Water sell-off boosts reserves by $315m

By Peter Norman, Economics Correspondent

BRITAIN'S gold and foreign currency reserves rose by an underlying $338m in December, largely because of a first instalment of $315m of foreign currency receipts from the privatisation of the British water companies, the Treasury announced yesterday.

The $23m increase in the reserves after taking account of the water privatisation receipts was unexpected because analysts had generally expected a further underlying decline last month in the wake of Bank of England intervention to support sterling. The consensus among City of London economists had been for a decline of $400m last month following a large $931m drop in November.

However, economists were reluctant yesterday to draw firm conclusions about the state of the pound from the figures.

The reserves figures are acknowledged to be an erratic series of statistics. They give only an imperfect guide to Bank intervention, particularly since the authorities are thought to have resorted increasingly to forward foreign exchange market operations to influence the sterling exchange rate.

The pound had a relatively quiet December, following big falls against the D-Mark in the previous two months. The intervention by the Bank late last week, when the pound hit an all-time low against the D-Mark, came too late to have an effect on yesterday's figures.

The official reserves figure, which also reflects the Government's foreign currency borrowing and repayments, fell by $122m in December to $38.65bn from $38.77bn in November.

● City of London analysts expect that M0, the narrow measure of money supply that is targeted by the Government, will show an annual rate of increase of around 6 per cent in December when provisional figures are published later this month.

This would represent a quickening on the 5.7 per cent annual growth rate for November, that was confirmed in Bank of England statistics yesterday.

The analysts' forecasts are based on weekly Bank figures for notes in circulation. They compare with the 1 per cent to 5 per cent target range for the increase for M0 in the current financial year that was fixed at the time of the Budget in March.

Business leaders call for tax cuts

By Richard Evans

THE Government's difficulties over the adverse impact of the uniform business rate increased yesterday with a demand from the Institute of Directors for cuts in corporation tax and income tax on business profits to cushion the effects of swingeing rate increases.

The call came as ministers were preparing the ground to combat a big political protest from Conservative MPs over the uniform business rate – due to be introduced in April – when Parliament returns next week, and as business organisations and rating specialists continued to be inundated with queries and complaints on substantial rate increases.

The uniform rates have been introduced by the Government as part of a complete restructuring of local government finance. They are also the first revaluations of commercial properties in Britain for 17 years.

The IoD argued in a statement that reducing the tax burden on business was necessary to encourage investment. "But it could now become a critical factor in the survival of many firms," said Dr Ann Robinson, head of the Institute's policy unit.

The downturn in the economy was particularly hurting small businesses, where rates were often a proportionally bigger expense than for larger companies, she said.

However, the IoD came out strongly against any attempt to mitigate the effects of rating revaluation. Plans are to phase in the rates rise over a five-year period, thus easing the impact on the losers and spinning out the full benefits for the winners. Dr Robinson believes this would make the distortions in the property market worse.

At present, the maximum increase in rates in any one year will be 20 per cent plus inflation for large properties with new rateable values of £15,000 in London and £10,000 elsewhere. For smaller properties with rateable values below these figures, the annual increase will be 15 per cent plus inflation.

With an inflation rate of 7.6 per cent, this means that small businesses could face increases of up to 24 per cent next April while larger businesses will have rates bills up to 29 per cent higher.

Even these substantial hikes might not be sufficient in some cases. Mr Michael Nicholson of Property Intelligence, whose Focus database services are used by the commercial property industry, points out that the rate increase for Selfridges, the large London department store, is so high that the annual increases will not be sufficient to reach the full rate before the next revaluation.

Rate reductions are also to be phased in, with the maximum reductions in the next financial year set at 10.5 per cent for larger properties and 15.5 per cent for smaller ones, after inflation has been taken into account.

The rate of gain will increase in 1991-92, with reductions in bills of 13 per cent and 18 per cent respectively in real terms, but there is certain to be pressure from gainers for the benefits to come through faster.

Mr Simon Sperryn, chief executive of Manchester Chamber of Commerce, said the present transitional arrangements meant it would be years before firms were paying a fair rate. "We are absolutely in favour of the uniform business rate, but . . . the Government does not have to delay the relief to those of us who have been subsidising the rest."

Rating experts warned that transitional relief was only available to existing tenants and anyone moving into new commercial premises from next April will have to bear the full impact of the business rate immediately.

LABOUR

Ford to meet unions in bid to avert strike

By Our Labour Editor

FORD, the UK subsidiary of the US motor manufacturer, yesterday agreed to meet unions next week in a last effort to avert a strike by its 32,000 manual workers over a two-year pay offer. The company would not say whether it intended to improve the offer.

If the meeting next Wednesday fails to resolve the dispute over an offer of 9.5 per cent in the first year and inflation plus 2.5 per cent in the second, a strike is likely to be called at the start of the following week.

Under employment law, the 28-day time limit on commencing industrial action following a ballot falls on January 17. Union leaders have indicated that they will call an indefinite strike if the offer is not improved.

Ford said yesterday that a meeting of the national joint negotiating committee of managers and union representatives had been called "in the mutual interests of both sides in an attempt to avoid a dispute."

The Ford pay settlement is traditionally regarded as setting a benchmark for pay in the manufacturing sector. An improvement in the offer could cause concern among ministers who have urged moderation in pay increases.

Unions had been planning to hold a strategy meeting next Wednesday if Ford had not responded to a letter sent before Christmas detailing the result of a ballot in which there was an 81 per cent majority for strikes.

Industry pays £1.6bn to curb pollution

By John Hunt

PRIVATE manufacturing industry in Britain is spending at least £1.6bn a year on controlling pollution according to the first survey of its kind to be carried out in the UK.

The survey, commissioned by the Department of the Environment (DoE), also estimates that total pollution control costs – including private manufacturing, public sector and service industries – could be in the region of £3.8bn a year.

The DoE says that the figures show the amount being spent on combating pollution in Britain is comparable with other European countries.

The figure of £1.6bn is based on 100 interviews with senior management and works, plant and project engineers. The overall figure of £3.8bn is a more approximate estimate based on existing records.

All the figures are for 1988 at 1986 prices. But with the increased interest in the environment they are likely to have risen in the past year.

The survey, which cost £30,000, was commissioned by the DoE from Ecotec Research and Consulting of Birmingham. It is intended to provide a factual basis for proposals now being considered for the Government's policy paper on the environment to be published in September.

A further report on the costs of pollution control to the economy generally is to be commissioned by the department. This will include such sectors as transport and the water industry.

A sectoral breakdown in the report shows that the chemicals industry has the highest spending for pollution control with a gross expenditure of £390.4m in 1988. However, the report says that this share is less than expected on the basis of previous research.

Chemicals are followed by food processing at £314m, metal manufacturing at £279.1m, paper and pulp at £222m, engineering at £126.2m, quarrying and cement at £99m and fuels processing at £33.5m. Other manufacturing accounted for £93m.

These costs were partly offset by the financial benefits arising from the recycling and selling of waste products. One major oil company was able to halve the cost of crude oil inputs by using oil wastes arising from refining.

Financial benefits of this type varied from 14 per cent of anti-pollution costs in quarrying and the pulp industry to 3 per cent in metal manufacturing. Across all the industries in the study, financial benefits were estimated at 7 per cent of gross costs of pollution measures.

**Industry Costs of Pollution Control, Ecotec Research and Consulting, 28-34 Albert St, Birmingham B4 7UD.*

Doctors attack Clarke on ambulance row

By Fiona Thompson and Alan Pike

MR KENNETH Clarke, the embattled Health Secretary, came under fresh attack for his unbending stance on the 16-week-long ambulance pay dispute yesterday with criticisms from the country's doctors and MPs from both sides of the House of Commons.

The council of the British Medical Association, meeting for the first time since the dispute began, passed a resolution expressing grave concern and calling on Mr Clarke to "recognise the valuable contribution of all ambulance workers to patient care and to settle the dispute as speedily as possible."

The reference to "all" ambulance workers is a clear message to Mr Clarke, who said recently that the vast majority of ambulance staff were "professional drivers", doing "a worthwhile job – but not an exceptional one."

Dr John Marks, chairman of the council, stressed that the BMA believed all ambulance crews – and not just those involved in direct accident and emergency work – played an important part in patient care.

The suggestion that moving an elderly lady from the upstairs of a house and taking her to hospital for treatment was work which could be done by taxi drivers was "an affront to ambulance personnel," he said.

Doctors, like ambulance staff, did not spend all their time rushing out saving lives. But both groups were involved full-time in patient care and it was wrong to draw an artificial division between different types of ambulance work, Dr Marks said.

Mr Terry Dicks, a Tory backbench MP, yesterday accused Mr Clarke of misleading the public and deliberately fudging the issue.

He said the Health Secretary was alienating Conservative supporters with his "belligerent, abrasive, aggressive and dictatorial attitude."

Mr Robin Cook, Opposition health spokesman, said Labour would mount a full Commons debate on the dispute on January 11.

He said: "The longer the dispute goes on, the less Mr Clarke looks like a man who knows how to solve it. Every time he opens his mouth his remarks seem designed to pour oil on the flames."

Mr Clarke yesterday reiterated that he would not intervene in the dispute.

In a letter sent to all the health authority chairmen in England, Mr Clarke said he had "no intention of stepping into the bargaining" and would not allow "prolonged industrial action to drive us to third party arbitration."

He again ruled out conceding a pay formula or pay mechanism for ambulance staff, saying it would be a "disaster for the National Health Service."

He added that hundreds of thousands of NHS staff working alongside ambulance staff did not regard them as any kind of "special case."

The five unions representing the country's 22,500 ambulance workers will meet today to decide how to step up their industrial action aimed at improving the 9 per cent, 18-month offer, but they have ruled out a full strike.

Unions at BAe predict 'war of attrition'

By John Gapper, Labour Editor

UNION leaders yesterday predicted a "war of attrition" with British Aerospace, the aviation and defence manufacturer, in the campaign for shorter working hours after the company suspended a further 70 workers who refused to cross picket lines at its Preston plant.

The workers from BAe's plants at Warton and Samlesbury in Lancashire were suspended without pay for refusing to be taken in by bus to complete unfinished components at Preston. Another 286 were also suspended on Tuesday.

Mr Alex Ferry, general secretary of the Confederation of Shipbuilding and Engineering Unions, said the move re-doubled the determination of workers on strike at BAe to win a shorter working week.

"If it is a war of attrition and a total war, we will have to see what we can do to win it," said Mr Ferry said. The CSEU's strategy committee meets next week to consider its next moves in the dispute.

Workers are on strike at BAe's plants at Preston, Chester and Kingston upon Thames. The company has offered a reduction to a 37-hour working week provided workers return to work before negotiations start.

GEC avionics arm to shed 700 jobs in two years

By David White, Defence Correspondent

ABOUT 700 jobs are due to be shed during the next two years at the General Electric Company's avionics subsidiary at Rochester in Kent because of a decline in overseas military orders.

The company, GEC Avionics, is one of the most export-dependent parts of the group's GEC-Marconi defence arm, sending about 60 per cent of its production abroad. It would not disclose details of the nature of its order book problem, but said the job cuts reflected specific difficulties rather than an overall assessment of the outlook for the defence business.

The Rochester plant employs about 6,000 out of GEC Avionics' total workforce of more than 8,000, including those in the US. The number has increased gradually over the last few years.

The company said the job reductions would be achieved by non-replacement of leavers and there would be no redundancies.

It said it still expected to take on about 1,000 new employees over the two-year period, compared with the intake of 1,700 it would normally have expected.

It might build up the total again after 1992 if circumstances changed, it said.

GEC Avionics' business includes cockpit displays and air data computers for the US Air Force, as well as flight controls, navigation systems, night vision equipment and naval sonars.

Lloyd's faces row over plan for single market

By Patrick Cockburn

THE DECISION by Lloyd's of London, the insurance market, to abolish the four traditional market divisions of marine, non-marine, aviation and motor is facing strong opposition from many underwriters.

Opponents of the scheme have petitioned Mr Murray Lawrence, chairman of Lloyd's, to review the plan to produce a single market which is due to come into operation from the beginning of 1991.

Underwriters opposing the changes object to the speed with which it is being introduced, complain of lack of consultation and say that the end of market barriers will hit smaller syndicates without sufficient underwriting expertise outside their traditional speciality.

They are also concerned that competition from syndicates looking for business in a new sector will hit premium rates, which are already depressed.

The change in the Lloyd's rules were announced in December with backing from brokers as well as managing and members' agents, but opposed by three of the market associations to which underwriters belong.

Mr Lawrence says brokers with clients wanting insurance cover for a wide range of risks on a single policy have been deterred from placing business with Lloyd's by fragmentation of the market.

A formal end to market barriers will allow the formation of composite syndicates able to meet their needs.

Some underwriters and managing agents are dubious that the changes will have a dramatic impact on business since market barriers were never absolute between the different types of syndicates.

Marine syndicates are allowed to use up to 10 per cent of their capacity for non-marine business.

Mr Lawrence says an advantage of the new system is that the 31,000 members of Lloyd's, who provide its capacity, will know at the beginning of each year about the plans of the syndicate to which they belong.

They will not be "tempted to assume that the traditional categories have their traditional meaning."

Mr Christopher Rome, a leading marine underwriter who did not sign the petition, said the impact of the new regulations all depended on the way in which they were implemented.

He doubted that Lloyd's lost much business to commercial insurance companies because of the barriers.

He said syndicates were, by and large, likely to stick to their usual specialities but that it was important for the different sectors of the market to adopt a common system of risk classification.

Police prepare to march to a new beat in the 1990s

Jimmy Burns on the chequered record of law and order over the last decade and the pressure for change

BRITAIN'S most senior police officer, introducing his report of the year, has underlined efforts to restyle the ethos of policing at the end of a difficult decade.

Sir Peter Imbert, Commissioner of the Metropolitan Police, says in the introduction to his report that he hopes "our successors will be able to see this period as the one when the new style of policing and new relationships were forged."

With law and order near the top of the ruling Conservative Party's political agenda, the police have been thrust further into the foreground. They have not emerged unscathed.

The spirit of the Imbert manifesto – The Statement of Common Purpose for the 1990s – is best summarised in one paragraph. "We must strive to reduce the fears of the public and, so far as we can, to reflect their priorities in the action we take. We must respond to well-founded criticism with a willingness to change."

At Hackney police station – set in a deprived inner city area which has one of London's biggest ethnic minority populations and a high crime rate – summaries of the manifesto cover most of the wall space.

Hackney station is put forward as an example of the "new look Met." Earlier this month, Commissioner Imbert joined local officers at a consultative meeting organised by community groups in Hackney.

It is just over 10 years since Lord Scarman, one of the country's highest judges, urged the reapplication of traditional principles of British policing, based on consultation and co-operation with the local community, following his judicial inquiry headed into some of the worst scenes of street violence in modern Britain.

The police force leaves the 1980s with its image struggling to survive the bruising experience of a single year. In the past 12 months, the police have been confronted with a series of events which have challenged their integrity and public standing. These include:

- disbandment of the West Midlands serious crime squad after allegations of fabricated evidence;
- dismissal of a Detective Sergeant and heavy fines against six of his colleagues for gross manipulation of crime statistics in Kent;
- the release of the Guildford Four, three men and a woman declared innocent of IRA bombing charges in the early 1970s because their convictions were based on fabricated evidence.

Corruption and misuse of powers are not new, but some police chiefs believe 1989 has been a key year in forcing the debate about accountability.

Mr Wyn Jones, an assistant commissioner at the Metropolitan Police and seen as one of the leading lights of the Imbert ethos, says: "The account of alleged malpractice in 1989 will prove very difficult for us to recover from because of their rapidity and gravity and because of the public perception that it is widespread."

Signs of the Times: a regular constable on patrol at Heathrow Airport with an anti-terrorist colleague

The negative public perception has, in the words of Mr Geoffrey Dear, the chief constable of the West Midlands, been little short of "cataclysmic."

According to Mr Robert Reiner, one of the country's leading criminologists, the project of restoring police legitimacy – taken up by successive police commissioners – has been made difficult in the past decade by what he sees as an increasing social polarisation brought about by government policy.

Police tactics hardened in the wake of the inner city riots of the early 1980s, the miners' dispute, and the lengthy siege in London of Mr Rupert Murdoch's East London newspaper plant by sacked print workers.

According to Mr Reiner, who lectures at the London School of Economics, the consequences of government policy during the decade were best encapsulated by the miners' strike.

"The Government by its apparent reluctance to intervene and encourage a negotiated settlement, by default relied on a policy of breaking the strike by force. This had disastrous and tragic consequences for police public relations in the striking areas," Mr Reiner says.

Last month, the Police Federation expressed fears of the negative impact the police's involvement in the protracted ambulance dispute was having on what police constables see as their "community" role.

The police image in the 80s was also dented by a closer scrutiny of its performance inspired largely by the Government's determination to crack the inefficiencies of the public sector.

Between 1979 – the year the Conservatives came to power – and 1988, the last year in which full figures are available, the number of notifiable offences recorded by the Metropolitan Police rose by nearly 27 per cent to 719,515. The crime clear-up rate in the period fell from 21 per cent to 17 per cent. This was in spite of spending by the Metropolitan Police rising from £541m in 1980/81 to £1.08bn in 1987/88.

At local level, divisional chief superintendents such as Superintendent Niall Mulvihill of Hackney police station resist the notion that the decade gave the police a blank cheque. Hackney is among the police stations that now tape record interviews with suspects to prevent fabrication of evidence and may soon introduce video screening.

But Superintendent Mulvihill insists that he still does not have enough staff, radios or cars to provide the sort of service the community would like.

He points to the growing emphasis on civilian representation and consultation between the police and community groups as evidence that the new ethos is being put into practice at a relatively small cost to the taxpayer.

"The Scarman report was a watershed. I am convinced that we have gone forward in leaps and bounds since 1981 and we are coming out of the decade with honour," says Superintendant Mulvihill.

Beyond the emphasis on style, senior police officers have yet to adopt a united voice on the detailed internal reorganisation that needs to take place if is to deal more responsively with the challenges of the 1990s.

Commissioner Imbert believes the present degree of decentralisation is no longer efficient given the growing sophistication of organised crime and terrorism and the moves towards greater European integration.

Other commissioners fear that the creation of a national police force risks undermining community policing and local-feel service upon which much of the Imbert ethos rests.

Commissioner Imbert's manifesto still epitomises the proliferation of statements of good intent that have come from Britain's police chiefs over the past year. Yet statements of good intent, like corruption, have been around before, only to be overtaken by developments beyond police control.

BUSINESS LAW

EC 'victory' on merger controls

By William Lee

ON DECEMBER 21 1989, after 16 years of deadlock, member states of the European Community unanimously agreed to give Brussels exclusive vetting rights over large-scale mergers. Although the final text of the merger control regulation is, inevitably, a compromise, the regulation is a victory for the French presidency, for Brussels and for companies doing business in the Community.

It could not have been adopted at a better time. Recent figures show that cross-border acquisition activity reached record levels in the third quarter of 1989. The fast pace of merger and acquisitions in the run-up to 1992 has heightened the need for a predictable and consistent system of EC merger control.

France ended its Council presidency with a trophy. When West Germany threatened to vote against the proposal just weeks before its adoption if it was not granted overlapping intervention rights, the French came up with a compromise allowing the Commission to authorise national authorities in the market concerned to investigate a merger if competition in a local market was threatened.

The new regulation represents a victory for Brussels because all the member states will transfer their national powers over the largest mergers to Directorate General IV – the Commission's competition watchdog. Since cross-border acquisition activity is expected to continue, member states agree that one regulator, rather than 12, will better ensure free competition.

Business wins a victory because companies planning large-scale mergers will no longer face (with limited exceptions) parallel investigations or double sanctions. Only the Commission will vet big deals, leaving jurisdiction over smaller transactions to national trustbusters.

In addition, the new guidelines establish simple, transparent, and speedy procedures. In the past investigations could last literally years.

So why hasn't the regulation been greeted with universal enthusiasm? Probably because it achieved less than was intended. In past months, the measure has been heavily criticised. Critics have argued that the regulation is just another example of the complicated federalism that is becoming a hallmark of EC legislation. Others claim that it fails to implement a real one-stop shopping system of authorisation and enforcement. This, they say, would leave most mergers at the mercy of potentially capricious enforcement at the national level.

Still others claim that the merger threshold is arbitrary and fails to catch deals involving high concentrations in some markets such as the merger this year between Novo Foundation and Nordisk Insulin, two Danish firms which dominate the EC insulin market, but whose combined worldwide turnover is considerably lower than the regulation's threshold.

An inevitable number of trade-offs were made in order to win member states' unanimous support. To permit otherwise anti-competitive deals, the southern member states traded an "industrial policy" exception for "economic and technical progress." Northern member states traded higher thresholds for competition criteria and so on.

Beginning on September 21, 1990, the Commission will have exclusive powers to investigate mergers involving companies with a combined worldwide turnover of at least Ecu 5bn ($6bn) if the aggregate EC-wide turnover of each of at least two of the companies is greater than Ecu 250m.

All other mergers will fall under the jurisdiction of national authorities where such authority exists (currently, only the UK, Germany, and France have enforcement bodies).

The UK finally agreed that the threshold could be revised after four years by a qualified majority vote so long as the level of the new threshold (previously proposed at Ecu 2bn) would remain unstated at the present time.

About 40 to 50 deals a year will be caught under the Ecu 5bn threshold and about 150 if the threshold is lowered to Ecu 2bn four years from now. Banks and insurance companies will also be subject to the new rule: the bank threshold will be based on one-tenth of the banks' total assets; the insurance company threshold will be based on one-tenth of net premiums.

Certain mergers are excluded. National laws will govern mergers where two-thirds of the activities of each of the companies concerned take place in the same member state.

Companies caught by the new rule will be required to notify the Commission within one week of signing the merger agreement, acquiring a controlling interest or announcing a takeover bid. The earlier draft requirement of suspending a transaction before clearance was limited to a three-week period following notification.

Companies will welcome the new rule's predictable timetables: (i) the Commission must notify parties and their respective member states that it will investigate a reported transaction within three weeks; (ii) once the Commission decides to investigate, it has three more months to clear or block a deal; (iii) the Commission has four weeks to give the green light to straightforward transactions.

Two major issues were resolved in the final text: the criteria by which mergers would be judged; and an exception for national interests.

First, the Commission will judge a merger on competition grounds – although Sir Leon Brittan, the EC's Competition Commissioner, has hinted that "competition policy" might have to be interpreted in a somewhat wider sense.

Indeed, the final text allows the Commission to consider factors other than competition policy such as "economic and technical progress." Whether this will permit industrial policy considerations to intrude, as Spain, Portugal, and to some extent France, advocate, remains to be seen.

Second, an exception to the one-stop shopping principle permits member states to block a merger on the grounds of national security, preserving plurality of media ownership, and prudential rules for financial institutions. The Commission may not challenge a government's decision that a legitimate interest is at stake.

Other exceptions have further eroded the one-stop shopping principle. Smaller member states that lack well-developed national competition policies may ask the Commission to investigate mergers where the combined worldwide turnover is less than Ecu 5bn but greater than Ecu 2bn.

Another exception is the so-called "German clause." West Germany, which wanted its cartel office to investigate mergers above the threshold if local markets were threatened, finally agreed to a provision allowing the Commission to authorise a national anti-cartel office to investigate a merger if a concentration significantly affects competition in a local market.

France succeeded, over opposition by just about all of the member states, in adding a reciprocity clause which will allow the Commission to negotiate with third countries that discriminate against EC firms involved in takeovers or mergers in third markets.

Although Sir Leon has stated that the reciprocity clause is "totally innocuous," like a similar clause in the Second Banking Directive, it sets a precedent that is likely to raise fears of "Fortress Europe."

Non-EC companies will be subject to the EC's jurisdictional "long-arm" under a European Court of Justice decision last autumn which rules that non-EC firms may be held to violate EC merger control rules when their conduct has an anti-competitive effect in the Community. That also means companies from third countries will have to report mergers caught by the regulation's thresholds.

Even after an announcement that it intends to hire more top-level officials, the Commission, which currently examines about 50 deals a year, probably does not have the staff to investigate the growing number of mergers caught by the Ecu 5bn threshold.

How the Commission uses its new powers under the merger control regulation will show its commitment to free market policies. As Sir Leon is well aware, the single market programme's success depends on a competition policy using objective criteria consistently applied.

Will Brussels use the "economic and technical progress" exception to favour regional political interests over free competition? Only time will tell. The regulation *is* an encouraging sign for proponents of free markets in Europe and a positive first step.

The author is managing partner, Shearman & Sterling, Paris.

This week has seen the launch of a multi-million pound promotion for a new type of paint. Called Advance and produced by Crown Berger, the number two in the UK retail paint market, its makers hope it will revitalise a somewhat moribund sector.

The paint is claimed to be a one-coat emulsion – thus do-it-yourselfers who get bored after slapping on the first coat should not end up with patches of the old colour showing through.

As revolutionary as the paint, though, is the pack it comes in. Out has gone the old style paint tin; in comes a transparent plastic container, with features designed to make painting simpler.

Terry Hudson, marketing director of Crown, which is part of Williams Holdings, the industrial conglomerate, says that the product will "create an appetite for painting. There are ways of making painting more satisfying by making it easier to do," he says.

He points to Crown's launch last year of Solo – a gloss paint which does not need an undercoat – which he claims has expanded the sector. Advance is expected to do the same. He is confident that customers will pay a £2 premium to the normal £9.99 price for 2½ litres of emulsion.

Crown's change of corporate identity and the development of the one-coat emulsion paint are stories in themselves. But as interesting is the history of the packaging. Most consumer goods packaging evolves; this one marked an entirely new departure from the old can.

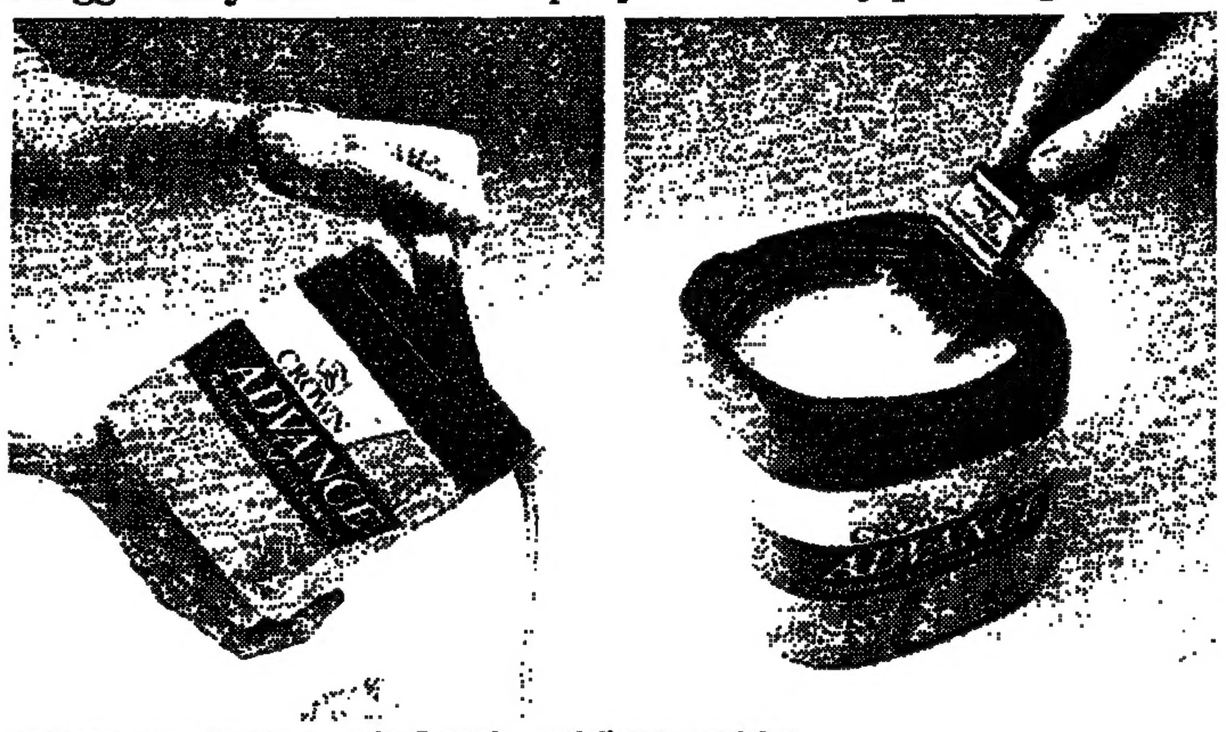
Hudson asked Packaging Innovation, a design consultancy which specialises in packaging and had worked for Crown for some time, to design the new pack. Reedpack, the paper and packaging group, was chosen to make it. Both Crown and Reedpack had once been owned by Reed International, and so the two companies knew that they could work together.

It was important, says Hudson, for the three to create the right sort of partnership, particularly as the project started in early autumn 1988 with this month fixed as the launch date. That says, Sheila Clark, managing director of Packaging Innovation, was a tight schedule to design and develop an entirely new pack. But, Clark says, the tight deadline, and Crown's determination to adhere to it, ensured that the designers did not get tempted to explore too many ideas.

Packaging

Crown: cleaning up in the UK paint market

Maggie Urry on the UK company's innovatory pot design



Reedpack invested £1m to make Crown's revolutionary container

While Packaging Innovation was paid on a fee basis, Reedpack had to take the risk of investing £1m in three new machines, made in Japan by Nissei, to be ready to make sufficient volume of the new container. "We had to commit heavily, with no guarantees from Crown," says Ian Chalk, director of Reedpack responsible for the project.

Crown underwrote the costs of the moulds for the container, in case the product did not take off, and has promised Reedpack a period of being the exclusive supplier. Even so it was something of a gamble for Reedpack, especially as it is also a leading supplier of plastic "paintainer" cans to Dulux, the ICI subsidiary, the leader in the retail paint market.

Chalk admits that he was fearful that the group might lose the substantial turnover it has with Dulux, which was in any case considering reducing the number of its suppliers. However, Dulux, which only found out about the new Crown package late last autumn, has kept Reedpack on and ICI is the raw material supplier for the Crown plastic paint container.

On the other hand, the attraction for Reedpack was that it could charge about double for the Crown pack what it was charging Dulux for the paintainer, although the costs of making it are also higher. And it was able to patent some of the manufacturing features of the new package, which could turn into a mass-market product.

The brief Crown gave Packaging Innovation was simple. The current packaging was not fulfilling the company's objective of repositioning itself in the market as an innovator. The new packaging must do that.

Thus the Packaging Innovation team started out with a blank sheet of paper, the need to come up with something radical and the knowledge from their own experience of the drawbacks inherent in the design of the conventional paint tin. Clark says that going to consumer research at this stage would have been a waste of time; consumers cannot usually say what is wrong with an existing pack – they need to be shown a new idea which they can then comment on.

So Steve Kelsey, Packaging Innovation's design director, set to work. The main features Packaging Innovation came up with were:

- a wide mouth so that the brush can be put in and out easily;
- a transparent pack which allows customers to see the paint colour, and the level, rather than relying on charts and a reproduction of the colour on the label which buyers know are not accurate.
- the handle, more comfortable than the usual plastic loop, is positioned off-centre, allowing the package to be tipped one way to get the brush in and out easily, without painting the fingers on the way out;
- tipping the container the other way allows paint to be poured into a roller tray over a special lip which eliminates the problem of dripping paint down the outside of the tin, and of getting paint into the gutter around the top which then sticks to the lid when it is put back on;
- *inside the lid is a bar* against which the brush can be wiped, so that the right amount of paint is left on it. Painters usually wipe the brush on the edge of the can, again causing a problem of paint around the lid and in the gutter;
- the plastic lid is deeper than the old tin lid. It is therefore easier to reseal the can, the lid does not distort as a metal lid can, and paint left for a long time does not get rusty;
- instead of being round, the pack is square, making it easier for retailers to stack on their shelves.

Only when the design had been produced did the pack go to in-depth consumer trials, in spring last year. Clark says that these went even better than hoped. Good packaging design, she says, does not impress consumers – a well-designed package should pass unnoticed. "People just pick it up and use it," says Kelsey, even though six weeks of work went into getting the angle of the pouring lip right, and the internal brush wipe caused hours of discussion.

Many of these features proved difficult to engineer – such as the wide mouth and the brush wipe – involving a great deal of work. Further, the pack had to be able to run on Crown's existing production lines, built to handle round tins not square plastic.

Reedpack did not have the experience of using PET, the clear plastic material from which the container is made, and had to send engineers to Japan to be trained. The models of the pack used to launch the product at a DIY fair last September had to be made in Japan, since the machines had not then been installed in Reedpack's Blackburn factory.

Trials of how well the containers stacked and stood up to being dropped were continuing through the autumn, and minor modifications to the design were still being made. Then Reedpack had to build up production of the container ready for the launch.

Reedpack's three machines have the capacity to produce nearly 7m containers a year, and to create a number of new jobs in Blackburn. If Crown does not need that many, Reedpack will have to find other types of container to make on the same machines.

After 18 months of work on "Project Eureka" as it was code-named, Crown must now wait nervously to see if its investment pays off. Hudson is confident that Advance is a mass-market proposition – *150m litres of paint are sold a* year.

Men's fragrances

A high degree for Fahrenheit

Martine Leventer on a launch from Parfums Christian Dior

How do you reach the pinnacle in the highly competitive men's fragrance field in one year? Maurice Roger, president of Parfums Christian Dior, claims to have found the formula with "Fahrenheit", its new perfume for men. The company says it has sold 4.2m bottles in the first year since it was launched in Europe in October 1988, thus surpassing its own Poison – 3.8m bottles sold the first year – now one of the leaders in the women's market with Yves Saint-Laurent's Opium, and Chanel's No 5.

In the US, Farenheit was introduced at Macy's in New York just three months ago and the store is citing it as its most successful launch, outselling other recently launched fragrances such as Yves Saint-Laurent's Jazz, Paco Rabanne's Ténéré and Fendi's Uomo.

Both Rita Burke, a vice president at Macy's, and Kary Lockwood, divisional merchandise manager at Bloomingdales, affirm that Fahrenheit is "as successful for the men's business as Poison was for the women's at the same stage." This puts it in contention with established products like Aramis (Estée Lauder), Drakkar Noir (Lancôme), Polo (Ralph Lauren) and Obsession for men (Calvin Klein) – exactly the goal Roger set in January 1986 when he decided to launch the new line.

Dior had become less competitive in the men's market; its previous classic, Eau Sauvage, launched around a quarter of a century ago, continued to sell well mainly in the Mediterranean and South American countries. But Jules, launched in 1980, was not a winner, and both lines together were accounting for only about 10 per cent of Parfums Christian Dior's total sales.

This imbalance was ominous; although the market for men's fragrances is only about a third that of women's, they were experiencing an annual growth rate of 8 per cent compared with 3 to 4 per cent for women's. This potential for growth, together with the traditional loyalty of men to their particular perfumes, was sufficient motivation for Roger. "The time had come for us to introduce a perfume that would conquer the Anglo-Saxon countries, which account for two thirds of the world market."

The very first step was to define the concept. Roger wanted H3, as it was code-named, to resemble a couture collection: a reflection of the culture and the environment of its era, contemporary and avant-garde at the same time. For him, machos, playboys and yuppies were passé. H3 had to be consistent with a new masculinity: less assertive, more introverted and introspective. He sought a name that would convey this concept and be understood in any language. At the same time, it was important to remember that eight out of 10 purchases would be influenced or made by women.

In August 1986, while visiting an art exhibition, Roger noticed a painting entitled "Fahrenheit." "It instantly struck me that this was the name I had been looking for."

Subliminal

Once back in France, street interviews were conducted at random to discover the subliminal images invoked by the word Fahrenheit. The responses were eclectic: from "ice" to "burning", from "desert" to "universe", "blue" to "red". Roger became convinced he was on the right track, and gave precise instructions to a small in-house staff to create the bottle, the packaging and the advertising campaign, so that everything would be compatible with the images conveyed by Fahrenheit.

Today, he describes the bottle as looking like a pyramid or a rocket; to him, it is a reference to the past as well as the future. The intensity of the red and yellow used in the packaging reflect the imagery expressed by those participating in the research. The advertising is a departure from the usual promise of romance and seduction.

The development of the scent involved the separate efforts of three top fragrance companies, each one competing for Roger's approval. He explained to them in detail the kind of perfume he wanted. It had to be very innovative to distinguish itself from the many other fragrances introduced into the men's ranges, which are now as numerous and competitive as women's.

Professionals classify perfumes into three main families: the old "eau de cologne" type, with the essences of lemon, orange and lime; the fern family, with hints of lavender or geranium. Brut, by Fabergé, for example, and Paco Rabanne for men belong to this category; the third family – cypress with a base of bergamot and patchouli – includes the perennial best-sellers Aramis, Polo and Drakkar Noir.

Each major family can produce a myriad of discernably different fragrances, depending on the addition of various other ingredients.

"Lately the new men's perfumes – whether they belonged to the fern or cypress families – had a very aromatic character. I wanted something different, in line with what I thought men of the 1990s would be looking for: a fresh, tonic start, developing into something warm and sensuous, yet not feminine," Roger explains.

"As I wanted the fresh start not to be traditional, I chose to use hawthorn and honeysuckle, which is a key innovation in Fahrenheit."

However, some industry experts dispute that Dior has introduced a new category. The consumers, who may not be as knowledgeable, apparently do not mind.

It was not until the end of 1987 that Roger was finally satisfied with the fragrance – just in time for a September launch. "I was really stressed; I thought we would never make it," he remembers. Fahrenheit was launched on October 2, in time for Christmas sales.

Initially, some in the perfume industry questioned the esoteric claims that Fahrenheit reflected the man of the 1990s, as well as the sales figures released by Dior. Dior spent around $10m in Europe, the equivalent of 25 per cent of its total men's sales.

But repeat sales depend primarily on the acceptance of the fragrance; Roger maintains that sales figures for 1989 will show that Fahrenheit represents 60 per cent of Dior's men's business and about 12 per cent of the company's total sales – estimated at FFr 3.1bn.

ACCOUNTANCY COLUMN

Ethics to the fore in new year resolutions

By David Waller

THE LAST decade was a period of tremendous growth and excitement for the accountancy profession, tempered by some confusion and uncertainty. To ensure that the excitement and growth continue, at the expense of mayhem and diminishing public respect, accountants everywhere should take sober stock of the outlook and make a prudent new year's resolution along the following lines, before it is too late.

"I swear to put ethics above short-term commercial considerations," this forward-looking accountant, a partner in one of the big firms, ruminates to himself.

"It's not that standards have slipped to the extent that accountancy firms borrow their ethics manuals from the local firm of second-hand car dealers: not quite, at any rate. But my firm seems prepared to do anything and everything for our clients – perhaps at the expense of professional probity.

"From my point of view, the growth of the firm in the last 10 years has meant a permanent change to my sleeping habits – I don't sleep very much, I'm always working – and a dramatic increase in the size of my personal balance sheet. But let me strive to be altruistic, and take a view of what this has meant for the business community at large.

"Certainly, standards of financial reporting have slipped during the course of the decade. The pressures of the stock market have forced finance directors to scrape the profits barrel for every last scrap of earnings per share. This is irrational, say fans of the efficient market theory, who believe that investors can see beyond boosts to profits which are merely cosmetic. Nevertheless, irrational or not, this is the way finance directors behave – with the help of their auditing firms like mine, of course.

"The auditors have colluded with the finance directors in their daft pursuit of fatter earnings, both by encouraging them to believe that the market is unsophisticated, and by devising the sort of schemes that conceal the economic reality of a transaction – whatever that is – whilst conforming with the letter of the law or the appropriate accounting standard.

"Thus I recognise that there needs to be a less cosy relationship between client and auditor, and that talk about accountants' skills in managing potential conflicts of interest is not enough to sooth outsiders' fears.

"It is obvious that the greater a firm's financial exposure to its client, the more pressure there is to fall in with the putative requirements of the client. I should try to find some way of maintaining my distance, before the Government or Brussels gets round to doing this for me.

("In this context I am aware, but not as aware as I ought to be, of what has happened in Italy – and more recently in Spain. Legislation has been introduced which ensures that auditors must be revolved, after a maximum of nine years. Tax consultants to a company cannot be in partnership with the auditors to that company, and the consultants' freedom to consult is severely constrained.)

"One way to achieve this would be to divide the business into its constituent parts. Recognising that this would end the convenient arrangement whereby the stable cash-flow from the inherently unexciting auditing business subsidises massively profitable ventures into risky areas such as consultancy, I can think of something better: give the firm's technical guys more of a say in auditing decisions. Commercial partners – who see themselves as factotums for their clients – should defer to the judgment of the saintly fellows who are able to put principles above profits.

"As a forward-looking accountant, I recognise that there is no real distinction between principles and profit, as implied in the last sentence. Accountancy businesses make their money in the first instance by selling an opinion – on whether a set of accounts are "true and fair" – on which people can generally rely.

"I generate my fees from my good name, and generate more revenues by franchising out that image of independence, probity and technical expertise to other related businesses within the financial services industry.

"It may be tempting to let standards slip for the sake of retaining a juicy audit client, especially when operating in competitive markets, and part of our professionalism is to do what the client wants, and well. However, the cumulative effect of such lapses over a long period of time will be to devalue the reputation of the service provided by the accountancy profession in general. Once that image has been eroded, the value of what I have to offer will be much diminished. My profit-share will fall too, and it will start being difficult to recruit good staff.

"Accountancy firms are like sharks or certain marauding armies of the Middle Ages – they need constant, forward, purposive movement in order to survive. Drop the commitment to professionalism, and ultimately to profits, the organisations will grow slow and old, and start to rot, dropping inexorably to the ocean floor. And then there'll be no-one to pay my pension.

"One way I can support professionalism is by supporting the professional bodies which, though I say it myself, need forward thinking commercially aware accountants to take an interest, otherwise they will become no more than trade associations with rather elegant premises in which to drink a cup of coffee or entertain a prospective client.

"Help is especially needed in 1990, as the professional bodies take on new powers under the provisions of the Companies Act. For the first time ever, they will have to be proactive in monitoring the standard of audits conducted by their members – quite a sea-change for a profession which has spent a century and a half being reactive.

"Also I can do my best to help Sir Ron Dearing in his plans to get the new financial reporting regime established. By God, he has some problems – not least of which is dealing with accountants. We should abandon our divisive tendencies and rally together to help him find the £3m a year which it will take to run the new Financial Reporting Council. I shall try to persuade my partners to release some of our best people to help with the organisation of the new bodies.

"I don't want our technical people to disappear permanently. They will be needed. The debate on goodwill proves this. Reading this column one week, I'm convinced that the damn thing should be stuck in the balance sheet and written off, as the Accounting Standards Committee is about to propose. The next, a boffin proves incontrovertibly that I was wrong all along. Then I talk to my biggest client, who persuades me that both ways are completely up the spout . . . .

"I digress. What I mean to say is that financial reporting in the UK is in a mess.

"Balance sheets don't mean anything, nor do profit and loss accounts. The whole show needs sorting out. Not by the bureaucrats in Brussels – who are meeting later this month to contemplate pan-European standards – but by the profession itself.

"My last resolution: I promise to abandon all thoughts of merging. I am aware that the public is mystified as to why I see no way of growing other than by gobbling up a weaker competitor and calling it a merger. Given that the public in this context includes my clients, I ought to take a hint and be satisfied with organic growth. In making this commitment, my thinking is in line with the trend towards 'unbundling' in the corporate sector.

"On that note, happy new year!"

ACCOUNTANCY APPOINTMENTS

Regional Financial Controller

South London **to £40,000 + Car + Benefits**

Our client is a rapidly expanding and highly profitable PLC, engaged in property development and investment, principally in the UK.

Recent acquisitions, augmented by further organic growth, will ensure continued increases in both assets and profitability.

As a result of this continued growth they now seek to recruit a Financial Controller for the Southern region to be based in South London. Reporting to the Regional Manager he/she will assume full responsibility for all aspects of the accounting function. As a member of the regional management team, the individual must be able to fully participate in the overall commercial management of the company.

Candidates, aged over 30, should be qualified Accountants who can demonstrate a strong track record of success in a hands-on environment, coupled with the interpersonal skills and business maturity required to make an immediate impact within a dynamic organisation.

A comprehensive benefits package including share option scheme and full relocation facilities are available where appropriate. Interested applicants should write, quoting ref: 2617, to Alan Dickinson ACMA, Executive Division, Michael Page Finance, 39-41 Parker St., London WC2B 5LH.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Vice-President Finance

ANTWERP, BELGIUM, c.£70,000 + BENEFITS

For a rapidly expanding international organisation, with a worldwide reputation for efficient intermodal transport, with a turnover of some $150 million in Europe alone. Within this region, they are now looking for a talented professional aged 35-45 to take on the highly challenging post of Vice-President Finance.

Reporting directly to the company President, Europe, and functionally to the international headquarters, you will directly monitor all European financial actions, as well as controlling administrative activities. This will involve the management of approximately 80 staff, cash flow, cost control and MIS; the preparation of monthly and annual balance sheets; budgeting and the ongoing follow-up of in-built control systems.

A dynamic individual with impressive leadership qualities, you should ideally combine an economics degree with an MBA qualification. An extensive range of experience in finance at an international level should preferably be supplemented by some internal auditing experience.

In return for your abilities, a remuneration and benefits package will be offered which fully reflects the importance of this position. Please write enclosing your curriculum vitae and details of current remuneration to Jef Peeters, Coopers and Lybrand Executive Resourcing Limited, 76 Shoe Lane, London EC4A 3JB, quoting ref JP105.

Executive Resourcing
Coopers & Lybrand

A CHALLENGE FOR THE 90's

DIRECTOR OF FINANCE AND ADMINISTRATION

Circa **£36k** Package including Benefits

Education, Training and Consultancy are our business activities.

We provide a number of services, in many diverse markets and we are currently expanding our national and international customer base.

We operate in a competitive, dynamic and demanding service sector and as such we are committed to a strategy of growth requiring organisational change. The creation of this post reflects our commitment to the achievement of this strategy. The successful candidate will join the existing Directorate members in the process of strategic planning and business development for the College.

The duties of the post are wide ranging and varied. The key areas in which the postholder will be expected to make an immediate contribution are:-

- To ensure that each aspect of the business is appraised and monitored to facilitate effective strategic decision making.
- To develop efficient financial and administrative systems and procedures for effective implementation of the College's Mission Statement and Business strategies.
- To provide an effective and efficient Company Secretary role to our Board of Governors.

To excel in this challenging and demanding executive post you must be a qualified Accountant. You must also have a successful record of controlling the financial and commercial aspects of a significant business and possess skills in planning and business organisation.

You can expect a varied role within a dynamic and enterprising organisation which will provide scope for your own personal career development.

Candidates should submit in confidence a comprehensive Curriculum Vitae to the Head of Personnel Services, Humberside College of Higher Education, Cottingham Road, Hull, HU6 7RT. Telephone: 0482 440550.

Closing date for applications is 15th January 1990.

HUMBERSIDE
COLLEGE OF HIGHER EDUCATION

TWO YOUNG FINANCE DIRECTORS

Strong team players to enjoy corporate responsibility

Up to £25,000, bonus + car

There can be no better way for young, recently qualified accountants to demonstrate their ability to run their own activity than to be given the chance to do so. Working with other senior members of the management team both proves and sharpens personal skills and stretches professional capabilities. Our client company, a subsidiary of one of Britain's larger multinationals, is service-based, vibrant, thriving and profitable. Organic and acquisitive growth has distinguished and accelerated its recent development and this trend is likely to continue. The management is characterised by youth, intellect, energy and the desire to achieve corporate goals through team rather than individual effort. There are now two senior positions in separate areas of the business, to be filled by young qualified accountants whose career development has already demonstrated their ability to make their own mark.

Finance Director **Midlands**

Sound management information, strong budgetary control and honest forecasting form the core of this task. Success in these elements will lead rapidly to broader business development. The ability to ask the right questions and to challenge assumptions (as well as to stand up to challenges of your own) will be crucial. Reference WE 9223.

Finance Director **Central London**

This position involves similar responsibilities in a smaller operation, whose services represent the apex of this particular market. The business operates as a separate entity within the corporate body, so there's the opportunity for even greater autonomy – and the authority to go with it. Reference WE 9224.

We would like to hear from graduate calibre, qualified accountants with at least a year's experience. They'll possess the skills to communicate complex ideas in less complex terms and will be motivated by a pride in achievement rather than status. Please send full career details, quoting the appropriate reference, to Dave Denny, Ward Executive Limited, Academy House, 26-28 Sackville Street, London W1X 2QL. Tel: 01-439 4581.

WARD EXECUTIVE
LIMITED
Executive Search & Selection

FINANCIAL CONTROLLER (DIRECTOR DESIGNATE)

North London **C£32,000 + car + benefits + share options**

We are an autonomous subsidiary of on e of the UK's leading publicly quoted security companies whose turnover is £100M. Based in North London, with several branches throughout the UK, we are seeking a highly motivated chartered accountant to play a key role in the reorganisation which is now taking place.

As a senior member of a dynamic team you will report to the Managing Director and assume direct control of all accounting staff. You will be expected to develop a computer based management control system to achieve a high level of financial and management control in the company.

As well as the usual financial capabilities, the successful applicant must be able to engender enthusiasm and drive amongst his staff and colleagues, and demonstrate a good track record of practical management and successful implimentation.

Interested candidates should write, enclosing a recent c.v. and current remuneration package to Box A1419, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESS TAX ASSISTANT MANAGER

PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS

COLCHESTER **TO £25,000+BENEFITS**

In this role, your brief will be to meet the challenges of assisting the senior manager in the implementation and development of their business tax department. With your expertise and above average contribution, promotion to manager is envisaged in the short term. Qualification is not essential. This is an unrivalled position, where you will be responsible for liaising and advising a range of clients, including partnerships and growing and family businesses.

For further information contact: Accountancy Personnel, 1 Church St., Colchester CO1 1NF Tel: 0203 766521

MANAGEMENT SYSTEMS ACCOUNTANT (DIRECTOR DESIGNATE)

radius GROUP OF COMPANIES

HULL **£30,000+CAR+BENEFITS**

Radius, a highly acquisitive computer systems group, offers you an opportunity to become an integral part of a dynamic management team.

Reporting to the Managing Director your responsibilities will encompass the design, development and maintenance of management information systems for the present company as well as future acquisitions.

A highly autonomous role for an ambitious individual, offering excellent prospects for rapid advancement to Directorship level as well as a superb benefits package.

For further information contact: Accountancy Personnel, Pearl Assurance Buildings, Land of Green Ginger, Hull HU1 2EA Tel: 0482 225955

MANAGEMENT ACCOUNTANT

PRAXIS

BATH **£20 – 25,000+CAR+BENEFITS**

Praxis is a software engineering and consultancy company with a reputation for developing high quality computer software systems for clients in a wide range of market sectors including government, finance and manufacturing. It is a rapidly growing company, currently employing 180 staff working from offices in Bath, Warwick, Staines and Stuttgart.

Based at the head office in Bath, you will be responsible for financial planning and forecasting for all parts of the company and will be expected to work closely with senior managers and directors.

You will be a graduate with a recognised accountancy qualification and good communication skills.

For further information contact: Accountancy Personnel, 38 Gay St., Bath BA1 2NT Tel: 0225 443690

Accountancy Personnel
You don't just count you matter
Hays
A HAYS PERSONNEL SERVICES LIMITED COMPANY

Group Finance Director

London
Salary c£55,000 + Benefits + Share Options

Our client is a substantial PLC in the property investment, management and construction market. The Board have identified an urgent requirement for a Group Financial Director. The successful candidate will assume full responsibility for financial control and play a key role in advising on corporate funding, treasury control, investments and future mergers and acquisitions.

Reporting to the Chairman, the incumbent will be responsible for the provision of management and statutory accounts, budgetary control, and systems development whilst continuing to play a significant role in the strategic expansion of the Group. The role will involve frequent travel to the Group's offices in Sussex.

Candidates aged between 40-50, will be powerful, energetic, innovative and streetwise Chartered Accountants who can demonstrate a progressive track record preferably gained in a fast moving, entrepreneurial, industrial or commercial environment. They will be self motivated, organised and have the strength of personality to make an immediate and significant contribution to the further growth and development of the group. Potential for future growth and reward are considered to be outstanding.

If you meet the demanding criteria, please send a detailed C.V. including current salary, to Susan Stuart quoting reference LM138 at Spicers Executive Selection, 13 Bruton Street, London W1X 7AH.

SPICERS EXECUTIVE SELECTION
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

CONTROLLER

Distribution Sector **c.£25-28,000 + Car**

A major West Midlands industrial group has a small but fast growing distribution subsidiary, whose turnover is expected to double in the next two years. To meet this growth the position of Financial Controller is being created.

Reporting to the Managing Director, the Financial Controller will have a wide range of responsibility incorporating not only accounting and credit control, but sales administration and stock control, totalling 12 staff. He will have frequent contact with the parent company and supplying divisions.

Candidates should be qualified accountants, probably aged 26-30. Experience of the distribution sector, and modern stock control computer systems, would be an advantage. The group can offer attractive career prospects, both in the UK and abroad.

The Executive Selection Director
Nicholas Angell Ltd.
11 Waterloo Place, London SW1Y 4AU.

Financial Controller

c.£38,000 + Car

W.1

Our client is in the Advertising Agency business and is a Subsidiary within a £20M turnover Group.

Responsibilities encompass the total function and the implementation of new financial strategies.

Candidates in the age range 28-35 must be C.A.'s who have experience in the financial management of a small unit and now wish to move upwards.

Please apply in writing quoting ref. 8984 to Katherine Bond, Barnett Consulting Group Limited, Providence House, River Street, Windsor, Berks. SL4 1QT, or telephone 0753 856723.

BARNETT

Subsidiary Accountant

£18,000 + Banking Benefits

Top UK Merchant Bank with offices based around the world seeks a high calibre Part Qualified Accountant with experience in the financial services industry to undertake demanding duties in the Financial Control Dept. Working as part of a team responsibilities will include:

- Management and financial accounts for subsidiaries
- Liaising regularly with senior mangement
- Supervising a junior member of staff
- Continual PC system enhancement

In addition to a sound academic background, the successful candidate should currently be studying for a recognised accounting qualification. Supported by a team of qualified accountants this is an excellent opportunity for a career orientated individual to develop within one of the City's major forces where you will be given every encouragement to qualify.

For further information please telephone or send your CV to Valerie Grassham or Tony Leggett at Joslin Rowe Associates (Financial Recruitment Consultants), Bell Court House, 11 Blomfield Street, London EC2M 7AY. Tel: 01-588 7287. Fax: 01-382 9417.

JOSLIN ROWE Accountancy

TECHNOLOGY

Little box opens door to paperless factory

Faults in computer-integrated manufacture (Cim) can usually be traced to the failure of machines to talk to each other, according to James McGuire, chief executive of Intercim Corporation, of the US.

He says the solution starts with an electronic package "the size of a cigar box" which acts as a universal interface.

Called Camate, it can be taped inside a control box. "It allows us to open up a machine tool and cable it into the computer," says McGuire.

Intercim, based in Minneapolis, Minnesota, specialises in the management and control of factory information. It aims to organise paperless factories, in which the most disparate machines can communicate electronically in a single, integrated system.

Part of its strategy is to use the electronic data to inform shop-floor workers. They receive not only instructions, but also advice and warnings of potential problems.

To take one example, a histogram of manufacturing quality composed of 30,000 pieces of data, that took an hour to compile a few years ago, can now be compiled in a matter of seconds. Any deviation from the specifications can be spotted and corrected before out-of-tolerance parts are produced.

Data on the performance of operators or on the production materials can be gathered, analysed and presented pictorially.

Intercim has partnerships with five computer companies: Digital Equipment, IBM, Intergraph, McDonnell-Douglas and Unisys. It also has them with about 30 client companies in the US, authorising access to implement Cim.

Typical of his bigger clients, says McGuire, is the US diesel engine group Cummins Engine, where Intercim works with nine factories — including two in the UK — bringing Cim to hundreds of machine tools. He estimates that Cummins will spend a total of more than £1m with his company.

In London, an investment company called LICA Development Capital is acting as Intercim's European agents.

David Fishlock

Nick Garnett explains why an attempt to devise international standards for factory automation has aroused concern

Suspicious of a link-up

US industry spent $20bn in 1988 on control equipment and software for automating factories. Western Europe paid out $10bn (£5.6bn).

But in Japan, the world's most powerful manufacturing economy, the total was a paltry-looking $2.5bn.

The smallness of Japan's expenditure — based on estimates recently published by Allen-Bradley, the US producer of factory control equipment — is not as surprising as it appears, bearing in mind that the figures exclude big chunks of hardware such as machine tools.

Japan certainly has many of the world's biggest and best organised factories, some crammed with scores of clever machine tools — of which it is the largest producer in the world.

However, Japan has not been obsessed with automation for its own sake. Most so-called islands of automation in its factories are not connected electronically. Much of the linkage is done by people.

One reason is that it is difficult to use the written Japanese language to transmit information by computer. Another is that over-staffed service sections within manufacturing companies are part of Japanese culture. Even the famed "kanban" just-in-time materials handling system is heavily reliant on people.

In other words, although Japan has a huge and technically advanced industry making factory equipment, it is probably behind the US in its ability to link up production systems by using computerised transmission of information.

This contrast illuminates the suspicions felt by some western companies about an ambitious cross-border research programme into factory automation, being proposed by the Japanese.

The idea of a $1bn, 10-year programme to develop global standards in factory automation and computer language is being supported by Japan's Ministry of Trade and Industry and some of the country's leading manufacturers, including Toyota, Mitsubishi Electric and Kawasaki Heavy.

Some western companies are suspicious of the programme because they believe it is designed to impose Japanese factory automation standards on the rest of the world; to underscore Japanese manufacturing power by allowing them to build factories more easily in other countries; and to reinforce the dominant positions held by Japan's suppliers of factory equipment, including makers of machine tools, robots and programmable controllers.

The proposal would involve setting up research centres in Europe and North America. Three-fifths of the project's funding, however, would come from Japanese government and industry.

Its ambitious brief includes such topics as factory hardware and software, advanced materials, and the equipment and computer language for integrating all aspects of production from raw material delivery to billing customers.

Japanese academics charged with canvassing support for the project believe the worries expressed in the west are unjustified.

They say standardised systems for factory automation would allow Japanese companies to supply their transplants more easily with non-Japanese equipment, reducing the likelihood of trade friction. It would also make it easier for them to build transplants, which are directed at reducing trade tensions.

Far from wishing to impose Japanese standards on the rest of the world, the aim is a reciprocal one. Some technical knowledge would be transferred to Japan, but western companies would in the process be allowed better access to Japanese factories.

"We are worried that we will be misunderstood," says Professor Yuji Furukawa of Tokyo University, vice chairman of the Japanese industry committee charged with pursuing the project.

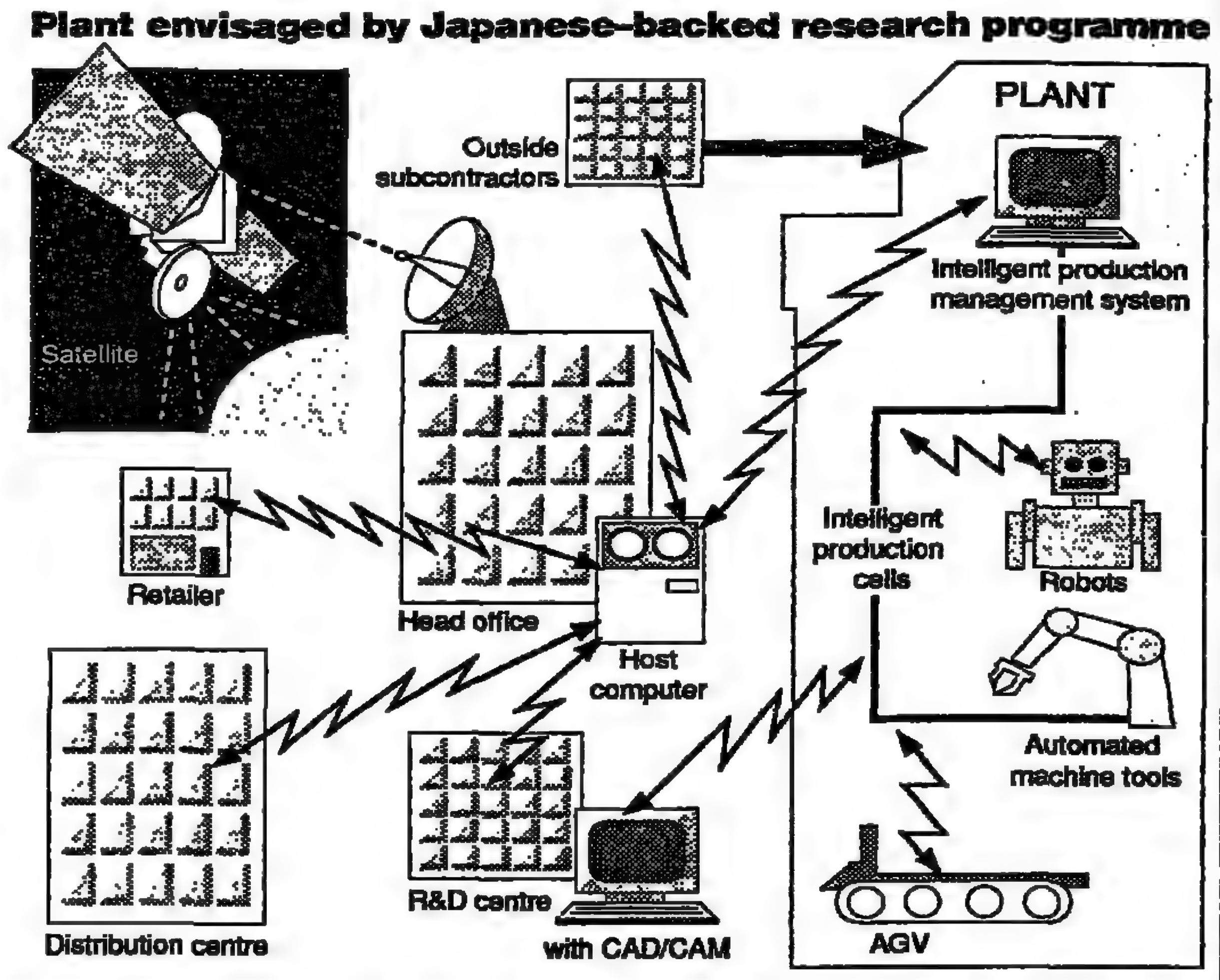
As a sign of goodwill, Furukawa says the Japanese would consider dropping out of the management of the project, which has been proposed by the Committee on Joint International Programmes into Intelligent Manufacturing Systems.

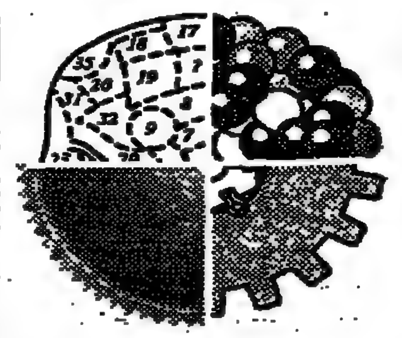
Furukawa has talked to the European Commission's directorate-general 13, responsible for information technology, to the UK Government and to the US Society of Manufacturing Engineers. He says he has received promises of support from several senior officials.

The principal issue, Furukawa argues, is that increasing globalisation of manufacturing, more complicated relationships between companies and shortages of labour mean that it is becoming vital to achieve common standards in computer language and factory equipment.

It remains unclear whether enough organisations outside Japan agree that the best way of going about this is through such an ambitious project, proposed and largely funded by the Japanese.

Plant envisaged by Japanese-backed research programme





WORTH WATCHING

Edited by Della Bradshaw

Plastic barrier to flames

A NEW flame retardant for aircraft, developed by a plastics expert from Hartlepool, is attracting interest from British Aerospace and other manufacturers, writes Clive Cookson.

Maurice Ward's fire retardant, called Ultra High Tech, is based on a polymer with special anti-flame additives. Tests show that it withstands temperatures well above aircraft safety requirements and its emissions of smoke and toxic fumes are extremely low.

When applied to materials of the type used in aircraft interiors, Ultra High Tech forms an effective thermal barrier against fire. Demonstrations have shown that treated material will withstand a 1,200 deg C flame for several minutes — and as soon as the flame is removed the material can be held with the bare hand.

Ward is also working with textile companies and cable manufacturers to develop protective coatings for other products, such as carpets and electrical wiring.

System for finding a match

HAVE YOU ever wanted to buy computer hardware or software to match your existing system, but been unable to find an acceptable product or supplier?

To provide a solution to problems like this, Computerscan has developed a database containing information on 19,000 items sold by more than 5,500 suppliers, mainly in the UK.

To use the service, clients give Computerscan a list of parameters — type of software, price range, supplier location, and so on. For £90 the Preston company searches the database and throws up a list of companies that fit the bill.

The basic information is faxed to the client and fuller details are sent by post.

A gem of a slate cutter

QUARRYING for slate has traditionally involved dynamite and shovels, but a novel technique is being used in England's Lake District to help prevent excessive scarring of the countryside.

To begin the process, known as diamond wire sawing, two 35 ft holes are drilled horizontally into the base of the slate-bearing rock face. They converge to form a V-shaped incision.

Then diamond wire — a reinforced cable incorporating beads with diamonds in their surfaces — is passed through. The wire is tightened, using equipment from Benetti, of Italy, so that it cuts through the slate like a cheese wire.

A "soft" explosive, rather than dynamite, can be ignited on top of the rock face to peel the slate away.

This method, used by Burlington Slate, of Cumbria, can increase the amount of useable slate in the blasted rock by a factor of three.

Expert system times it right

AN EXPERT computer system, conventionally employed in the manufacturing sector, is now being used in financial trading.

The feature of the software system, called G2, which makes it attractive to the financial sector is its ability to handle time. It can be programmed to set off an alarm if the shares of a stock market-quoted company fall by more than a certain percentage in, say, 10 minutes.

Sira, the UK applied research and technology company which markets G2, has developed a system with an investment bank to demonstrate how the software handles gold futures.

The brainchild of Gensym Corporation of the US, G2 runs on workstations from Digital Equipment, Sun and Hewlett-Packard.

Blue sky method of purification

A DROP of dye and a ray of sunshine could purify the swimming pools of the future, writes Andrew Wiseman.

Researchers at the Weizmann Institute of Science, in Israel, have developed a method of disinfecting effluents which they claim is a safe alternative to chlorination. The photochemical technique disinfects water by exposing it to sunlight and treating it with a very small amount (less than one part per million) of methylene blue dye.

The dye absorbs the light energy and transfers it to the oxygen dissolved in the water. The process kills micro-organisms by oxidation without creating dangerous by-products.

Chemists at the institute are synthesising new dyes so that the process can be applied on a commercial scale.

The sum of a photo's parts

POLICE in the 1990s could be catching more thieves through applying computer technology to fuzzy photos.

Blurred photo images — such as the number plate of a car speeding away from a crime — can be deciphered using a technique developed at the University of Rochester in the US.

It involves digitising the picture into 2.6m pixels (picture elements) and then feeding the digital image into a computer. It uses a specially devised algorithm, or mathematical formula, to calculate the original image.

Although such algorithms already exist, the electrical engineering department at Rochester University believes its formula is unique because it takes into account the characteristics of the light reacting with the film — for example, the speed of the film or the exposure time.

The drawback is that the equipment needed to carry out the task is expensive — up to $100,000. So it is unlikely to be used for cleaning up your holiday snaps — not next year, at least.

CONTACTS: Maurice Ward: UK, 0429 234881. Computerscan: UK, 0772 204000. Burlington Slate: UK, 022 988 661. Sira: London, 467 2636. Weizmann Institute: Israel, 8 483 512. Rochester University: US, 716 275 3774.

LEGAL NOTICES

No. 00729/1989

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

MR. JUSTICE HARMAN

IN THE MATTER OF
MORGAN GRENFELL GROUP plc
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE is hereby given that the Order of the High Court of Justice Chancery Division dated 18th December 1989 confirming the reduction of £52,200,000 standing to the credit of the Share Premium Account of the above-named Company was registered by the Registrar of Companies on the 21st December 1989.

Dated the 4th January 1990.

Slaughter and May (MP/FWM/JMDE)
35 Basinghall Street,
London EC2V 5DB

Solicitors for the said Company

Cinema

Enter a scandal, 25 years late

You have heard or read about the furore: now see the movie. *Last Exit To Brooklyn* emerges on our screens from the steam and smoke of literary scandal, looking like a period piece from another world.

Back in the 1960s Hubert Selby's loose-knit novel about Brooklyn low-life, featuring (in no special order) rape, prostitution, homosexuality, drug abuse and murder, was provocative enough to energise two opposing armies. The moralists wanted it banned. The literary defenders, including Anthony Burgess and Samuel Beckett, stormed to its side claiming masterpiece status.

That was then. This is now. What unfurls on screen 25 years later resembles a series of escaped Actors Studio exercises: an *On The Waterfront* for the dying 1980s, done with much yelling and emoting and as much visual frankness as can be smuggled past the censor.

Scripted by Desmond Nakano and shot in an atmospheric square mile or so of Brooklyn by a German director (Uli Edel of *Christiane F*), the film fatally interlinks all Selby's separate stories. Result: the author's diverse cast of characters come on like a large, noisy family of Method actors determined to find trouble on every corner. Jennifer Jason Leigh struts with candid bosom and candy-floss hair as the tart without a heart; Stephen Lang is the union thug with repressed gay leanings; and Burt Young, Alexis Arquette, Ricki Lake and others fill in the remaining fresco as transvestites, pregnant daughters, male chauvinist fathers and the like.

Above, Daniel J Travanti in *Fellow Traveller*; left, Jennifer Jason Leigh as the tart without a heart in *Last Exit To Brooklyn*

LAST EXIT TO BROOKLYN (18)
Odeon West End

MYSTIC PIZZA (15)
Cannons West End

FELLOW TRAVELLER (15)
Metro

GANASHATRU (AN ENEMY OF THE PEOPLE) (U)
Renoir

CANDY MOUNTAIN (15)
ICA

It is not bad. It is not good. It is not much of anything. The thunderous noise you hear inside the film's engines is that of pistons pounding away at material that must once have seemed muscular and momentous but that now merely raises the reflex "Oh, all that again." In the age of AIDS and crack and city-wide gang wars, the West has made a quantum leap up the social nightmare charts in the quarter century since *Last Exit* was published. And the cinema itself has gone down meaner streets, with an all-seeing ferocity even Selby could not surpass.

*

"The only reason to get married is to get the hell out of Mystic," says the reluctant bride Jojo (Lili Taylor) in *Mystic Pizza*. There is no accounting for tastes. The small New England seaside town seems like Heaven on earth to me. Painted wooden houses ramble down Main Street; the Atlantic slaps at the barnacled jetties; and there are so many lobsters in the vicinity that they practically walk out of the sea on to your dining table.

But Jojo, Kat (Annabeth Gish) and Daisy (Julia Roberts) all want out. As directed by Donald Petrie from a story by Amy Jones, the three girls are stuck in this pizza parlour squalling away in red aprons: condemned to wait for Mr Right while waiting on Mr and Mrs Wrong. But will they know Mr Right when he arrives? Is he, for Kat, the handsome, thirtyish but (oh dear) married Yale graduate for whom she babysits? Is he, for Daisy, the young Ivy League smirker who drives a BMW when his Porsche is in the garage? And is he, for Jojo, the bridegroom she leaves standing on her wedding day?

Mystic Pizza is not so much a movie, more an ordeal by soap-opera interrogation. So repetitive and interchangeable are our three heroines' crises – enhanced by plinky-sentimental piano music – that it came as no surprise when the press-show projectionist mixed up the reels.

Remarkable, in the circumstances, that the film is quite enjoyable despite itself. Given material torn straight out of women's magazines, the three young stars go at it with a will and a wit. And one can forgive much in a film where a girl's revenge on her faithless lover is as picturesquely enacted (and then as picturesquely seen to backfire) as that of Miss Roberts. Pulling her father's fish-truck up to Master Ivy League's sports car – he is emerging from a posh restaurant with a posh young beauty – she tips two large barrels of livestock into the priceless upholstery. Seconds later, she learns that the girl is not her boyfriend's girlfriend but his sister. But by that time, what can you do about two dozen kilos of writhing marine life in an open Porsche?

*

Fellow Traveller is one of those Anglo-American movie ventures that set out to straddle the Atlantic without doing themselves an injury. It just about succeeds, though by the final reel it is in visible pain.

Screenwriter Michael Eaton plants one foot of this postwar political thriller in America, where anti-Communist passions reign and a young film star (Hart Bochner) shoots himself. He plants the other foot in London, where Marxist-sympathising Hollywood scriptwriter Ron Silver is in exile, "doing time" on an ITV Robin Hood series. Mr Silver is Mr Bochner's best friend, dumbstruck by news of his death; Imogen Stubbs is Mr B's ex-lover, now falling into bed with Mr S; and Daniel J. Travanti is the enigmatic psychoanalyst who just might be the villain of the piece.

The plot bowls along briskly. And fun is had with the day-to-day lunacies of writing for hire. (Says a harassed Silver of his prancing, Lincoln green-clad hero: "I don't want to make it look as if he's enjoying himself with all those merry men.") But Philip Saville's direction fails to raise the dramatic wattage from medium-banal to bright or revelatory. The characters seldom struggle free of the formulary; there is a surfeit of flashbacks (people can hardly look at each without dissolving into a previous decade); and well before the end, we start to hear the grinding of plot-wheels to bring about a "surprise" *dénouement*.

The great Indian director Satyajit Ray, who suffered a heart attack some years ago, is understandably below form in *Ganashatru*. This is Ibsen's *An Enemy Of The People* gone Bengali: a tale of polluted holy water and one doctor's heroic fight to alert his wilfully deaf townspeople.

The movie is shot in drab colours, as if its reels had been machine-washed at too high a temperature, and the staging is fearfully sedentary. For all the subtlety of Ray's camera placings, no film can get away with two hours of characters sunk deep in armchairs, lobbing chunks of literate dialogue at each other. Nor do matters improve on the few occasions they get up and walk. The creaking of Ibsen's plot-structure is matched by the creaking of the *mise-en-scène*. Not Ray at his best: let us hope he soon returns to it.

Candy Mountain entertains and dismays in equal measure. Co-directed by screenwriter Rudy Wurlitzer (*Two-Lane Blacktop*) and photographer Robert Frank, this road movie has no clear destination but travels along quite scenically.

Rejoice at the wintry Northern landscapes that fan the face of our young hero (Kevin J. O'Connor) as he motors forth to find a priceless cache of guitars made by master-craftsman Elmore Silk (Harris Yulin). Why he seeks these instruments I could not gather. Doubtless it has something to do, like most road movies, with the American dream. Suffice it that he travels through prettily battered small towns and equally battered, not to say batty, supporting characters. There is golf-mad Tom Waits, husky-voiced in check trousers; bleary-beautiful Bulle Ogier (arriving with the Swiss co-production money); and Mr Yulin himself, crazier than a fox and threatening to set ablaze those priceless guitars.

Never mind what it all means. Enough that the time-warped wanderlust – this sort of film-making went out in the 1960s but a few perverse souls would like it back – is a refreshing pace-change for today's audiences. In the age of Batmen and Lethal Weapons, better a movie going nowhere slowly than a film going fast and frantic to a destination we have no wish to reach.

Nigel Andrews

Two of our music critics look back on 1989

A capital year all round

Perhaps I've been peculiarly lucky with my allotment, but London seems to have had a very good year for music. Maybe not "vintage" – how many great performances would be required for a "vintage" year? – nor specially spectacular; and yet I suspect that the wealth and variety of public music would pass for an extraordinary feast almost anywhere else. We have a complementary decline in domestic music-making, of course (hardly anybody plays anything or sings), but that's another story.

The one grave lapse of the year was the failure of anybody to bring us Dawn Upshaw, a very young American soprano who is the toast of everywhere else. I was reminded of that by the recent broadcast of a Vienna Festival *Lucio Silla* (noble early Mozart): a banquet of singing all round, but Upshaw is blessed with high assurance, character *and* a vernally fresh sound. We shouldn't have to wait to hear her until she has become a practised prima donna. At least we have had generous helpings of Lynne Dawson, who is our nearest match; also of her distinguished seniors Felicity Lott and Anthony Rolfe Johnson, whose ubiquity has been justified by their superlative form.

There were splendid Wigmore Hall recitals by Schreier, Hans-Peter Blochwitz, Bär, Prey (with the magisterial Helmut Deutsch) and Margaret Price, and a ringingly impressive début by the Canadian bass-baritone Gerald Finley. At the Elizabeth Hall Jill Gomez, standing in for another soprano at short notice, lit up her French programme with vivid insights.

Some other concert-voices made lasting impressions. The alto David James, moving and vocally faultless in a *St. John Passion* at St. John's; Anne-Sophie von Otter's glowing Marguerite in a Prom Berlioz *Faust*; a miraculously accomplished David, in Handel's *Saul*, from the black American counter-tenor Derek Lee Ragin, and his compatriot Faye Robinson in the closing scene of Strauss's *Daphne*; the mezzo Elizabeth Laurence in a potent new song-cycle (after Ratushinskaya) by Brian Elias; the bass David Thomas, phenomenally gripping in Haydn's *Creation*; Alison Wells' eloquent soprano in Barraqué's *Chant après chant*; in the Boulez retrospective, Christine Whittlesey in *Pli selon pli*; and Anne Howells (of all people!) in Ligeti's *Requiem*.

Simon Rattle

In that work – a main exhibit in the South Bank's Ligeti festival, which was too narrowly focused upon recent and/or orchestral Ligeti but admirably executed – Terry Edwards' achievement as chorus-master equalled James Wood's in the György Kurtág mini-festival within the Almeida Festival. (Both the compact festival and the expansive one were supersaturated with creative music.) Among many polished performances by the BBC Singers, it is good to recall one of Sir John Pritchard's last concerts, when he led them through *a cappella* Richard Strauss with the utmost graciousness and warmth.

As usual, the orchestral calendar was adorned by international visitors – besides Simon Rattle's City of Birmingham Symphony, who gave an indelible account of Schoenberg's *Gurrelieder* in January. Several American bands were impressively expert; but two provincial French orchestras, the Strasbourg Philharmonic and the Orchestre National de Lille, delivered much more adventurous programmes in incisive style. Their bone-crushing Xenakis and Varèse were of the same order as Prokofiev's "Scythian Suite" and Colin Matthews' scarifying new *Quatrain* by Tilson Thomas and the LSO, or indeed those latter's roof-raising *Rite of Spring*.

Among gentler stuff, I admired Strasbourg's subtlety in Debussy's *Ibéria* (conductor Theodor Guschlbauer) – his *La Mer* got comparable refinement from Andrew Litton and the Bournemouth Symphony – and Lille had the imaginatively vital services of Rivka Golani in *Harold in Italy*. Tilson Thomas confirmed that he is a serious asset to the LSO many times over: particularly satisfying was his collaboration with the emigré Russian pianist Ivan Feltsman in Brahms' 1st Concerto. There has been an inundation of relentlessly brilliant Soviet pianists; of those I heard, the new Van Cliburn winner Alexei Sultanov was far outclassed by Nikolai Demidenko, whose control of the keyboard is phenomenal and almost inhuman.

Yury Bashmet lavished his virtuoso authority upon Schnittke's recent Viola Concerto, and Stanislaw Skrowaczewski and his Hallé Orchestra brought the Bartók Concerto back to breathing life (one had begun to worry whether that was possible). The BBC Symphony must be happy with their newly appointed conductors Franz Welser-Möst and Oliver Knussen, who distinguished themselves respectively in late Bruckner and Mahler, and in recent music – signally in Elliott Carter's *Three Occasions*, which came about partly through Knussen's prompting. Among many scrupulous readings by the conductor Richard Bernas, his première of Nicholas Maw's complete *Odyssey* was a triumph of sympathy.

Among solo pianists, Mitsuko Uchida did wonderful things with Debussy's Etudes, Cherkassky and Cécile Ousset were searching and dazzling in various music, and the young Rubinstein co-winner Benjamin Frith demonstrated great interpretative promise. In French chamber music, the junior violin-sensation Joshua Bell proved himself to be a reckonable musician too. The Vermeer Quartet outdid themselves in an exact and searing dramatisation of Berg's *Lyric Suite*.

Too little space left for several deeply affecting operatic studies, among them Felicity Lott's Arabella at Glyndebourne and Yoko Watanabe's Cio-Cio-San for the Royal Opera, John Graham-Hall as Britten's Albert Herring and Alberto Remedios as Wagner's Walther, Roger Norrington's whole account of Mozart's *Zauberflöte*; still less for the gems of this summer's Aix Festival. A last plea, though, for the ENO to consider adopting the new Amsterdam production of Dukas' *Ariadne and Bluebeard* (with a bit of tough re-thinking): a great central role for Kathryn Harries, which would lose nothing in English, and a rich score that richly deserves rediscovery.

David Murray

Paying a high price for packages

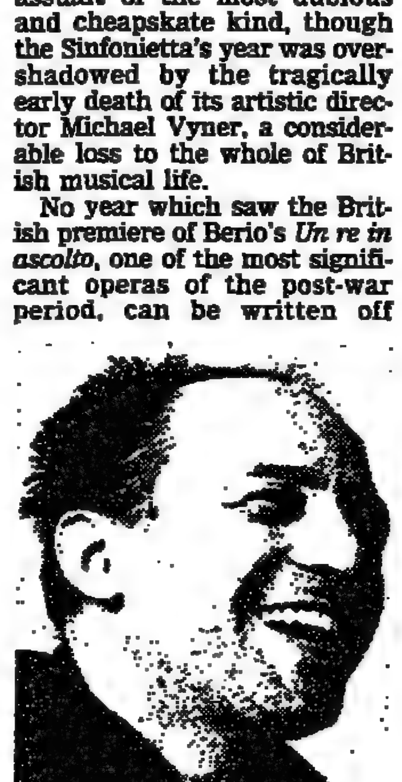
The imperishable musical memories of 1989 are few but intense – of Sviatoslav Richter's first London recitals in more than decade, the last of them at the Barbican finding him in tempestuous, almost dismissive form, of three dazzling appearances by Martha Argerich in concertos by Liszt and Ravel and as one of the duettists in Messiaen's *Visions de l'Amen*, of Itzhak Perlman giving a compelling display of comprehensive technical assurance and musicality. But even supported by quieter pleasures such as recitals by Deszö Ránki, Natalia Gutman and the Borodin Quartet, it is a thinnish legacy for a year's solid concert going.

Too often individuality has been suffocated by the need for corporate identity and too many packages – some worthy (the South Bank's Ligeti festival, the Barbican's Magyarok), some wholly misconceived (the South Bank's Latin American disaster). Earlier in 1989 one feared genuinely for the future of the one-off high prestige concert in London, that in the future everything would be compelled into thematic channels; the autumn saw some relaxation of that tendency (as long as you like to overdose on Haydn, that is), but even so the attraction of the series, in terms of marketing opportunities and subscription sales, still threatens the happy plurality that has characterised concert life in the capital for so long.

Lots of the packages involved new music, but while the outlets for living composers proliferate, a law of diminishing returns seems to operate ever more severely: the more groups willing and capable of performing contemporary scores, the less interesting the results. It is salutary to realise that the one outstanding contemporary event in London involved a composer in his 60s and a work begun more that 40 years ago; the BBC Symphony Orchestra's concert under Pierre Boulez, which included the British premiere of the final version of his *Le Visage Nuptial* appeared a glorious reminder of a lost arcady, when Boulez was in charge of the BBCSO and his concerts so often were voyages of discovery and enlightenment. Only Simon Rattle's French series with the London Philharmonic in the spring came close to capturing the same kind of energetic, inquiring spirit with some superlative performances.

Rattle's continuing excellence with the Birmingham orchestra also brought the most striking new orchestral score of the year – Mark-Anthony Turnage's sombre, threatening *Three Screaming Popes* sustained the achievement of his opera *Greek* which was the most signal achievement of 1988; *en passant*, it is good news that the opera will be staged by ENO next season. No doubt, either, of the most hapless high-gloss premiere: John Adams' *Fearful Symmetries* which the composer conducted with the London Sinfonietta seemed a sensory assualt of the most dubious and cheapskate kind, though the Sinfonietta's year was overshadowed by the tragically early death of its artistic director Michael Vyner, a considerable loss to the whole of British musical life.

No year which saw the British premiere of Berio's *Un re in ascolto*, one of the most significant operas of the post-war period, can be written off entirely. Swiftly followed by Reimann's dreadful *Lear* from ENO and his rather more interesting *Ghost Sonata* from Opera Factory (run in tandem in Strindberg's play) it began a year of frantic operatic activity in London, in which every composer seemed under pressure to show the right stuff by getting something, however half-baked, on to the stage. The Garden Venture, the Royal Opera's theoretically admirable scheme to blood young composers, was hobbled by eccentric programming; ENO's community project, *A Small Green Space*, words by Fay Weldon, music by Ilona Sekacz, undermined by textual miscalculations and musical commonplaces.



Pierre Boulez

In four weeks in May and June one would attend the premieres of as many major stage works by significant, more or less midddle-aged composers - Casken's *Golem*, and Blake's *Plumber's Gift* in London, Höller's *Die Meister und Margarita* in Paris and Louis Andriessen and Robert Wilson's *De Materie* in Amsterdam. If Casken's and Höller's works were at leasthonorouable failures, and need to be staged more faithfully before firm conclusions can be drawn, *De Materie* was both profoundly unoperatic and totally beguiling, a fusion of visual images and musical energy that lodged unexpectedly and indefinably in the mind.

The image which stays most indelibly though, came from Purchase in New York State, where the PepsiCo Summerfare staged Mozart's three Da Ponte operas, in the versions (the right word, I think) by Peter Sellars. His *Don Giovanni* was an electrifying, often horrifying experience – Don Giovanni assaulting Elvira with a hail of French fries was an appalling image – the kind of operatic reworking that will haunt one's perception of the work for years to come.

Andrew Clements

ARTS GUIDE

December 29-January 4

EXHIBITIONS

London

The Royal Academy. Inigo Jones, Architect – a full study and exquisite show of the intimate drawings and designs of the greatest of British architects, only excepting Sir Christopher Wren. Daily until February 25, except bank holidays.

Whitechapel Gallery. Michael Craig-Martin – a retrospective of the sculptures, reliefs and wall-drawings of one of Britain's leading conceptual artists, unfailingly elegant in the demonstration, though the informing ideas are more often of obvious and banal than profound. Daily until January 7 except Mondays and Bank Holidays.

The Barbican. A Golden Age – Art and Society in Hungary 1896-1914: in the light of the current ferment in Eastern Europe, with Hungary very much in the van, it is salutary to be reminded just how active a participant she was in the European cultural commonwealth. Daily until January 14.

National Portrait Gallery. Lewis Morley – Photographer of the Sixties: a study of the work a photographer now all but forgotten yet author of some of the most memorable images of the period, with Christine Keeler naked astride her chair the most famous. Until Jan 7.

Paris

Grand Palais. Eros. Some 100 vases, marbles, bronzes and jewelsdating from Greek antiquity describe most explicitly the verve with which the god of love encouraged humans and gods alike in their uninhibited pursuit of pleasure. Closed Tue, ends Feb 5 (42895410).

The Louvre. Arabesques et Jardins de Paradis. The beauty and richness of nature is a leitmotiv which runs through Islamic art from Spain to India, from the 8th to the 18th century. Closed Tue, ends Jan 15 (40205317).

Brussels

Palais des Beaux-Arts. Ludwig Wittgenstein and his influence on twentieth century art. Also photographs of Yousuf Karsh both closed Monday and end January 28.

Musées Royaux des Beaux-Arts. Seventeenth century flower paintings; a selection from the museum's collection of Flemish and Dutch masters. Closed Monday; ends Feb.

Rome

Galleria Nazionale Dell'arte Moderna. Bertel Thorvaldsen (1770-1844). Sculptures, reliefs, portrait busts and drawings by the prolific and talented Danish artist who spent nearly 40 years of his working life in Rome. Neoclassic in style, his works are heavily romantic, but with a purity and simplicity of line which holds them just short of sentimentality. Ends Jan 28.

Braccio di Carlo Magno (St Peter's). Russian icons. Over 100 icons of superb quality in an exhibition organised jointly by the Soviet Ministry of Culture and the USSR-Italy Association. The icons date from the 13th century to the 18th century. Ends on Jan 30.

Milan

Palazzo Reale. Fernand Leger retrospective: includes over 150 works – paintings, watercolours as well as book illustrations. Ends Feb 18.

Madrid

Caja de Madrid. Raoul Dufy. Works by French fauvist, well known for his lively use of colour and interest in varied forms of art, are on show in Spain for the first time. Ends Jan 26.

Fundacion Juan March. Retrospective of Edward Hopper opens the autumn season at the foundation. 61 works by the New York realist covering a period of 56 years. Until Jan 4.

Palacio de Velazquez. Art in Latin America. The exhibition analyses the sources and development of art in Central and South America, from the wars of independence through to the present day. Ends March 4.

Frankfurt

Kunstverein, Markt 44. The Frankfurt Kunstverein is the first stop on a European tour of the works by the American sculptor Louise Bourgois. After nearly 20 years unknown, she had her first retrospective in New York in 1983, organised by the Museum of Modern Art. Ends Jan 28.

Hanover

Sprengel Museum, Kurt-Schwitters-Platz. Der blaue Reiter (The Blue Horse). This museum is displaying around 61 pieces from its own collections as well as some additional paintings on loan from East Germany and by other artists who belonged to the same Munich-based group. Works by Wassily Kandinsky, Franz Marc, August Macke, Alexej von Jawlensky, Gabriele Münter and Marianne von Werfekin can be seen until Feb 11.

Cologne

Museum Ludwig, Bischofsgartenstrasse 1. The most comprehensive retrospective on Andy Warhol, who died in 1987, with around 160 pieces from New York. They can be seen only in Cologne until Feb 11.

Munich

Städtische Galerie im Lehmbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections.

Vienna

Museum for Applied Arts is hosting a large exhibition devoted to the works of Carlo Scarpa, the Italian artist and architect. The theme is focusing on "The Other City". Until Jan 15.

Museum for History. An exhibition of paintings by Arnulf Rainer, deemed to be one of Austria's most successful post-war artists, and who recently had an exhibition in New York. Ends Jan 28.

New York

Pierpont Morgan Library. The library's superb collection on Gilbert and Sullivan, including autograph scores and libretti, letters and memorabilia. Ends Feb 18.

Metropolitan Museum. A decade of fabulous shows borrowed from around the world culminates in the present exhibit of the major works of Velazquez, much of which is borrowed from the Prado in Madrid. Ends Jan 7.

Metropolitan Museum of Art. A major exhibit of the works of Canaletto brings alive scenes of Italy in its secular glory. Though many are familiar, the exhibit makes the artist's vision a breathtaking panorama with touching attention to detail. Ends Jan 21.

Museum of Modern Art. Covering only eight years, from 1907 to 1914, Picasso and Braque: Pioneering Cubism consists of more than 350 works of the two artists during their fruitful collaboration before Braque left for war. Ends Jan 16.

Washington

National Gallery. Almost three dozen paintings of the early 20th century German movements, Bauhaus, Neue Sachlichkeit and Blaue Reiter, lent by the Thyssen-Bornemisza collection, make a telling commentary on a part of the world again at the centre of attention internationally. Ends Jan 14.

Tokyo

Bunkamura, The Museum. Major works from the Detroit Art Museum. El Greco, Goya, Rubens, Manet, Degas, Cezanne, Matisse, Picasso etc., more than 100 paintings from one of the largest public collections in the US. Closed Mondays.

Sezon Museum of Art, Ikebukuro. Andrew Wyeth: Helga. A selection from the many paintings and sketches Wyeth made of his favourite model over a 15 year period and not revealed to the world until 1986. A secret obsession or commercial ruse? Opens Tuesday.

Channel 4 launches Soviet season

Channel 4 will launch later this month what it believes is the most extensive season ever devoted to the Soviet Union on Western television.

In the space of three weeks no fewer than 50 programmes on the Soviet Union will be shown, ranging from the best of Soviet film-making to documentaries that take advantage of the new openness in Soviet society.

There will also be an edition of the Russian version of the *Nine o' Clock News* broadcast in the UK, with sub-titles, within hours of its transmission in the Soviet Union, and a special Moscow edition of *Right To Reply* for Soviet viewers.

Mr John Willis, controller of factual programmes at Channel 4, said yesterday that the £5m season starting on January 13 comes "just as the spotlight is turning away from Eastern Europe and back to the Soviet Union itself."

The Channel 4 controller believes there is an "absolutely appalling" level of ignorance about the Soviet Union in the UK. "This is a good and interesting way of opening up to the British viewer what is happening in the Soviet Union," he added.

The 13 films in the season will range from *Little Vera*, which has been hailed as the Soviet Union's most sexually explicit film, to *The Commissar*, a long-banned film about the Civil War period, and *Defence Counsel Sedov*, a statement on Stalinism.

The centrepiece of the season is probably a five-part documentary series, *Hello, Do You Hear Us*, co-produced by Gosteleradio, the Soviet broadcasting organisation, and Central Independent Television, the Midlands ITV company. It features the Russian people talking on subjects from the drive for democracy in the Baltic states to the fight of Moslem women for emancipation and the killing in Nagorno Karabakh. There is also an outspoken interview with the late Andrei Sakharov, the Soviet dissident and scientist.

Mr Willis said yesterday he hoped that the season would give some insight to whether "the 'Soviet spring' is permanent or temporary and whether we are going to go back to another form of Soviet winter."

Surprisingly, however, the 50 programmes do not look in any analytical way at the state of the Soviet economy, one of the key factors which will determine the permanence of the "Soviet spring."

Raymond Snoddy

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Thursday January 4 1990

Reprise in Argentina

THE LATEST round of economic and financial chaos in Argentina is more profound and more alarming than even the previous upsurge in July last year, when retail price inflation neared a monthly 200 per cent and the abyss of social collapse was briefly glimpsed. That dismal picture was prefaced by serious riots at the end of May, when 14 died and hundreds were injured in nationwide attacks on supermarkets.

Last July, Argentina's exhausted 32m citizens could at least look forward to an imminent change of government, with the promise that held of renewed self-esteem and public confidence in the nation's politicians.

Those hopes are evaporating fast, despite fresh emergency measures announced this week by the Economy Minister, Mr Antonio Erman Gonzalez. Mr Gonzalez urgently needs to tackle inflation, estimated in December to be running now at 75 per cent to 100 per cent a month, and to halt a run on the austral, Argentina's currency.

Past promises

But his promise that the Government would stop printing money in excess of what the country needed to pay salaries and pensions smacks of the vague promises of the past. He is also reported to have decided that price and wage controls, an important element of the economic programme announced last July, do not work in any country, having apparently forgotten Mexico's recent success with just such a policy.

Mr Gonzalez's decision to convert investors' short-term deposits into 10-year dollar-denominated bonds may prove to be the most politically controversial measure, and seems likely to remove what little investor confidence remains. Already, investment in the country runs at 9 per cent of gross domestic product, insufficient to cover depreciation of capital stock, and the lowest level of any country outside sub-Saharan Africa. Having paid no interest to foreign bank creditors since April 1988, the Government is now declaring what is in effect a moratorium on domestic creditors.

Yet there is little sign that the issue at the root of Argentina's chronic inflation problem – the fiscal deficit which Libra, the London-based consortium bank, estimates at about $25bn in 1989, perhaps 20 per cent of a hard-to-measure GDP – is being addressed.

The tax system is still in need of radical reform: the introduction of universal value-added tax has been delayed until at least February, at an estimated cost of $200m a month. Meanwhile, a tax on exports is one of the main revenue earners, acting as an obvious disincentive to trade, and only 30,000 to 40,000 people – 0.1 per cent of the population – pay income tax.

Union opposition

Mr Menem's attempts to reform the economy's supply side – one quarter of the workforce is employed by the state – have also become bogged down. Promising "surgery without anaesthetic," he promised to cut off subsidies from Argentina's state-owned companies which lose $8.5m a day and to sell nationalised enterprises. If President Menem's credibility is to recover, he needs to use legislation he now has available to staunch haemorrhage on his treasury, either by selling or closing the companies concerned.

But opposition to this programme is the one issue on which the otherwise divided trades unions are united. When it comes to words, Mr Menem is as tough as they come. In November he promised during a lengthy railway strike that "a network which strikes is a network which closes." But that strike ended with his personal intervention to lift the suspension of 300 railway machinists.

Like former President Alfonsin, he is unwilling to confront that sector of society which is Peronism's traditional power base. Last July it appeared that if any Argentine President could effect the painful changes necessary for future economic stability, President Menem was the man. The signs are that he has not been able to break the mould. That is a blow not only to the people of Argentina and their new democracy, but also to newly elected governments all over Latin America.

A fiscal own goal

THE THATCHER Government can blame nobody but itself for the unpopularity of the new business rating system. There are two factors behind the substantial redistribution of the corporate rates burden. The first is that commercial property has been revalued for the first time since 1973. When the Government took office in 1979, a revaluation was already overdue: to delay for a decade while property values soared in London and the south east was inviting trouble.

But the row this delay would have caused has been exacerbated by a second factor: the Government's decision to seize control of local business taxation and impose a uniform rate on everybody regardless of local circumstances.

The reforms are not expected materially to alter the overall yield of business rates. But the incidence of the tax will be substantially changed. More than 900,000 businesses in England and Wales will experience significant increases in rate bills; 250,000 will experience at least a doubling in their long-run tax liability. The impact of overdue property revaluations accounts for roughly three quarters of the increase. Aggregated figures, however, fail to reflect the scale of adjustment required of many individual companies: Harrods of Knightsbridge may be able to afford an eightfold increase in its rates to £8.3m, but some small businesses are likely to face bankruptcy as a result of even larger proportionate hikes.

Softened impact

The impact of the reforms will be softened by a transitional safety net. For the first five years, the maximum allowable annual increase in rate bills will be 20 per cent plus inflation. This is better than the prospect of an instantaneous doubling or tripling of bills but hardly enticing when debt service costs are exceptionally high and the economy seems close to recession. The cost of the transitional protection, moreover, is being financed by the "winners" from the reforms, which will therefore have to wait several years for the bulk of their promised tax reductions.

To the extent that the redistribution of the rates burden reflects property revaluations, it appears broadly equitable. In sectoral terms, the burden is shifting from factories and warehouses to shops and offices: this is an appropriate response to the rapid expansion of the service sector in the 1980s. Although putting additional pressure on hard-pressed retailers, it should reinforce the Chancellor's efforts to curb domestic consumption and promote the export of manufactures. In regional terms, the burden is shifting from the north and the midlands (where the rates bill will be cut by nearly £1bn) to the south east, the south west and east Anglia. This is an overdue recognition that economic growth has been unduly concentrated in the south of Britain during the past decade.

Less beneficial

But the changes resulting from the introduction of a uniform business rate are less obviously beneficial. In effect, every part of the country, including the rest of the south east, will benefit at the expense of London. In inner London, the rates bill will rise by 37 per cent (easily the biggest regional increase) solely on account of the shift to a uniform poundage – under the old system property revaluations would have resulted in a *reduction* in rates bills. As a consequence, both manufacturing and service companies in depressed parts of the capital will find themselves paying higher property taxes even though the relative value of their sites has declined.

There are strong social and economic arguments in favour of local property taxation. But the kind of taxes analysts usually have in mind are locally administered levies on domestic residents. Ironically, these no longer exist in the UK. Businesses may thus wonder why they should be required to pay a tax which is no longer deemed appropriate for individuals and which is centrally levied at a uniform rate regardless of their ability to pay or the quality of local government services.

Mr Fernando Collor in confident mood during the presidential election campaign

A leader with little room for manoeuvre

Ivo Dawnay looks at the economic and social problems awaiting Brazil's new President

For the first time in a century of exuberant optimism, Brazil looks out on a new decade as much in trepidation as in hope.

After 10 years of steady growth in the industrialised world and now the convulsions in eastern Europe, Brazilians regard the 1980s as a lost decade. At the same time five years of civilian rule have fed a growing conviction among almost all social groups that it is the old political-business establishment that is unwilling or unable to permit the profound changes demanded by an ever-more polarised society.

Thus as the vocabulary of class politics fades in the eastern bloc, it is being used with growing vehemence in Brazil. Attacks on the oligarchy, the élite or the "dominant class" as the true culprits for the nation's economic and social ills were *de rigueur* for all candidates in last year's elections. And there is no doubt that most of Brazil's 82m electors tried to use their first free vote for a President in 29 years to get rid of "them."

Controversy now rages over whether they succeeded. Mr Fernando Collor de Mello, victor in the final poll on December 17, purports to be a radical reformer wholly uncompromised with the old order. His opponents argue that the youthful former state governor is merely the latest champion of the old oligarchy that has run Brazil throughout its history.

But perhaps the more appropriate question is whether this or, indeed, any other President can make any headway against a baffling array of problems. The new head of state is publicly committed to tackling the world's worst wealth distribution and to raise living standards despite huge internal and foreign debts, a chronic budget deficit and an inflation rate that last year rose to 1,764 per cent.

Ostensibly, Mr Collor *is* of the élite *par excellence*. Born into a wealthy family from the poor north-east, his connections are a veritable Who's Who of Brazilian society and business. His early career was promoted by generals in the dying days of the 21-year military government. In the same period, the socialist candidate he defeated last month – Mr Luis Inacio Lula da Silva – was being harassed by the secret police.

Yet to some extent the taciturn Mr Collor will remain an enigma until he takes office on March 15. In his populist campaign, he promised to end the cosy links between business and government, to launch land reform and to begin a root-and-branch redistribution of wealth. His proposed method is to cut state intervention and end the subsidies, price fixing, cartels and corruption that have characterised the four-year rule of President José Sarney.

Fiscal reform, privatisation, reduced import controls and other "modern" liberal economic orthodoxy, would then, it is claimed, provide the resources for a vigorous social policy. This programme, on paper at least, looked much more radical than anything the left was prepared to offer.

Lula, as the Workers' Party (PT) leader is known, offered a more conservative remedy: rid rotten Brasilia of its parasites and the existing command economy could deliver the changes needed to heal the wounds in Brazil's cruelly polarised society. In the event, some 35m Brazilians voted for Mr Collor: the poor because they believed him, the rich because they did not.

But Lula won 31m votes – within 5 percentage points of victory – aided by a large portion of the professional middle-class. It was an astonishing achievement for a former union militant and evidence of seething dissatisfaction with the status quo.

Now the more enlightened section of the establishment is praying that an inexperienced 40-year-old with little genuine backing in Congress can deliver on his word. If not, they fear that the deepening economic crisis will squeeze moderate politics out of the system altogether. "History is offering us a last chance to make peacefully the reforms that we so much need," says Mr Mario Amato, president of Sao Paulo's Federation of Industries (Fiesp), the citadel of Brazilian capitalism. "If we not aware of this, we run the risk of witnessing a social explosion of vast proportions."

That a business leader can make *such an admission shows that some* measure of democracy has seeped back into Brazil's atrophied political muscles. But congressional and gubernatorial elections due in October look set to minimise Mr Collor's room for manoeuvre. In addition, he faces in Congress and the new constitution

Opponents argue that Collor is merely the latest champion of the *old oligarchy that* has always run Brazil

two near-insuperable obstacles.

Despite its progressive rhetoric, the legislature has proved deeply conservative, with the right defending vested interests and the left workers' rights, oblivious of their cost to society. As general contempt for the legislature has grown, so has its fear of approving measures that could add to its unpopularity in the coming polls.

Congressional power has also been enormously strengthened by the 1988 constitution. Under this, the President must win approval for every detail of economic policy. Mr Mailson da Nobrega, the country's long-suffering Finance Minister, argues that the consequent institutional crisis between executive and legislative powers has left Brazil all but ungovernable.

"Congress still acts as if it is under the dictatorship," he says. "In fact it has enormous powers but disclaims any responsibility for its actions." *Much emphasis has been put by the* Collor transition team on the moral weight of his 35m votes in the short honeymoon that awaits him. But others fear that any package he may present will be picked apart.

A third obstacle for Mr Collor is the business élite. Though it almost unanimously voted for him, probably a majority privately agree with Lula's assertion that a vote for Young Fernando was a vote for no substantive change. Others, like Mr Amato, have warned that salvation through growth alone – "bigger cake, bigger slices" – can no longer be sustained given Brazil's continuing stagflation and social injustices.

But the élite's enthusiasm for a change of tack is limited. Behind its protectionist walls most of Brazilian business saw good profits last year. Currently, the twisted logic of four-digit inflation makes real interest rates on government paper a better option than investment in plant.

Mr Ricardo Semler, a young Sao Paulo businessman, has argued vigorously that employers should accept systematic real wage rises and a phased reduction in import tariffs to force outdated businesses to improve competitiveness. The proposal has twice been rejected by the Fiesp. "The trouble is industry is still dominated by the old post-war generation who are comfortable simply negotiating with government," says Mr Semler.

Nevertheless, most economists believe Mr Collor must act immediately after his inauguration in March if his programme is to show signs of success before the elections just six *months ahead. Firm measures and a* shallow recession, they argue, will dash inflationary expectations in time to head-off the threat of a vengeful left triumphantly sweeping the polls.

If the liberal economic option gets sufficient momentum, his strategists are gambling, enough politicians

Insulated from the growing anger, a large part of the old ruling class appears blind to the social unrest

might jump on the bandwagon to create a "Collor" party in the newly-elected Congress. Faintheartedness now, the argument goes, is likely to mean a permanent blocking majority from a left-tilting legislature with the "liberal" option pronounced dead even before it has been properly tried.

Several well-respected social democrat deputies – officially in opposition – are known to agree with the broad lines of Collor's policy, while remaining deeply suspicious of the man himself. Convinced that the new President is of the old school, the PT says he will merely make a series of populist, symbolic gestures using the presidency's vast pork barrel of appointments to buy support. But the few post-poll leaks from the Collor camp suggest he is ignoring the country's squabbling party leaders and talking almost exclusively to respected economists.

He appears to be shunning the traditional horse-trading of jobs for votes and preparing to go it alone with an *important package of measures.* Only after a comprehensive strategy is drawn up, an aide says, will he try to rally leading political figures to endorse it as a policy for a national unity government.

As nervous financial markets have risen and sunk, the left has pointed to Mr Collor's reclusive behaviour as confirmation of its claims that he is arrogant, uncompromising and even psychologically "unbalanced." Friends scoff at such attacks while privately conceding that he is introverted with a tendency to aggressive outbursts – worrying qualities in a man pledged to heal a divided nation.

That said, a certain distancing from Brasilia's squalid intriguing has its advantages. A notion fashionable among jet-setting economic doctors like Harvard's Dr Jeffrey Sachs is that new governments should not attempt to court popularity. Instead, they should spring a complex package of measures on the country in a once-and-for-all, take-it-or-leave-it blow, routing their opponents in the ensuing confusion.

But this must be a high risk strategy, given Brazil's critical economic condition. Many are arguing already that the new President must take power before March to head off a disaster and negotiate a coalition. He has refused outright, perhaps calculating that if a worsening crisis forces Congress to call him to take power early, he would then have the authority to impose his will.

A straw poll of leading economic and political observers shows a majority convinced that a tragic climax to Brazil's drama of inaction is imminent. A minority subscribe to a doom-laden outcome with a left-wing majority sweeping the October congressional elections and bringing about an immediate stand-off between executive and legislature. As continued economic decline sparks popular unrest on the streets, further radicalisation would eventually provoke some sort of military intervention. Calmer voices predict a typical Brazilian non-solution in which Congress votes to adopt a parliamentary system of government with the underlying economic problem – a $20bn deficit – still unresolved. Only the most *optimistic believe Mr Collor can* achieve all his ambitious goals.

What is now clear is that Brazil – flourishing in some sectors despite 54 per cent a month inflation – cannot expect much help from abroad. With a *de facto* debt service moratorium now in place, short-term credits said to be drying up and the industrialised world's attention fixed elsewhere, Brazilians alone can resolve their crisis. But the message of the ballot box is that this is no longer possible without satisfying the impoverished majority's raised expectations of change.

Insulated from the public's growing anger, a large portion of the old ruling class appears deaf to the rumbling social unrest from middle class streets to grim shanty towns. At a dinner party in Copacabana recently, an elderly lady demanded explanations. "I don't understand why everyone is against the élite," she said. "It has supplied all the greatest people in Brazilian history."

But this month the forecast for inflation is 70 per cent: time is short and the prospect is *for dangerous* days ahead.

OBSERVER

Freedom of the City

■ The London stock exchange may have hit a new high yesterday. But there were not all that many people around to see it.

The City seems to have decided that last week's shortened working week was not long enough to do full justice to the season of good cheer, so it is taking this one off as well. Everywhere you go, the place seems eerily quiet and uncrowded. Call people up, and there's a good chance that they won't be there, and the few that are seem to have all the time in the world.

British Rail say that commuter traffic was well down on Tuesday, the first day after the holiday, though it picked up yesterday. "You can't blame them," said a sympathetic spokesman of the stay-at-homes. Most banks and broking houses claimed to be operating as usual, but in practice that meant with reduced staff. The stay-aways included a good part of the City's fast-growing Japanese population whose official New Year's holiday lasts until today.

All that may make life sound dull and lonely for the gallant working few, as they stare at empty desks or prop up unfrequented bars. But there are compensations. There is a spirit of camaraderie in the air. Getting about the City has suddenly become a joy. The underground is empty (and running), buses whizz along deserted streets, taxis are plentiful. You can walk into a restaurant and be sure of getting a table.

And, as we know, the market's up.

Grave move

■ Somewhat against the trend, the West German Government has decided to dig into its pocket for Karl Marx. Annemarie Renger, vice-president of the Bundestag, said yesterday that the Foreign Office in Bonn would be making money available for the restoration of Marx's grave in London's Highgate cemetery.

It is not another case of the Federal Republic taking over some of East Germany's financial obligations. The grave, like the whole cemetery, is owned and maintained by a private association.

Jean Pateman, chairman of the Friends of Highgate, has welcomed the gesture. She points out, however, that Marx's grave is one of the least in need of restoration. "What we need is money for the whole graveyard."

Fowler's day

■ Norman Fowler had a good run under Mrs Thatcher's Governments, and there must be a little more to his resignation as Employment Secretary than meets the eye. One suspects that it was the realisation that he was not going to rise any higher and that it was wise to get out while the going was good.

Indeed, I half-thought that he would go of his own accord in the reshuffle last summer, rather like George Younger leaving the Ministry of Defence for new pastures, though staying on as an MP. He was 51, unlikely to be the next Foreign Secretary or Chancellor and had given up his former desire for the Home Office. Why not seek another career in mid-life?

Then he perked up a bit, probably in the hope – even expectation – of becoming Party Chairman. Quintessentially a man from Middle England, he would have been an excellent choice.

Anglo-French

■ One of the side-effects of the events in Eastern Europe is that Britain has a defence problem again. It is very difficult to see how the country can go with its present policy of maintaining an independent nuclear strike force throughout the 1990s if peace has become the order of the decade.

"It'll have to come out of our contributions to Tory Party funds."

To some extent, the problem would have arisen anyway. Even before the barriers in Eastern Europe started to fall, the two nuclear superpowers were engaged in negotiations on strategic arms control. There was no particular reason to believe that they would fail to agree on radical reductions in the end. It was also a reasonable assumption that, if they did, the spotlight would then turn to the two European nuclear powers: Britain and France.

At present, the British force consists of the four Polaris submarines. Gradually – and *probably starting in 1994* – they will be replaced by four submarines carrying the even more powerful Trident weapons system.

Expert advice has always been that four submarines are the absolute minimum required to assure that the nuclear deterrent is available at all times. So reductions are not going to be easy. It is all or nothing.

That dilemma goes to the heart of the British nuclear debate over the years. Some ministers – by no means only Conservatives – have always believed that Britain must maintain its own nuclear weapons well into the next century. Yet it will be harder to do so in a disarming world.

The answer, one is fairly certain, is to try again to co-operate with the French and to develop a smaller, perhaps airborne, shared nuclear force. At any rate, it would be encouraging to hear that a British defence review is under way.

Irish Turners

■ January is Turner time in Dublin. The city's art lovers are now making their annual pilgrimage to the Irish National Gallery to see 36 Turner watercolours and drawings. The exhibition only lasts the month. In 1900 Henry Vaughan, a noted art collector, bequeathed the Gallery his Turner collection. But he made the stipulation that they should only be exhibited in January, when the light is at itsweakest.

According to Irish experts, Vaughan's ideas were correct: strong light can damage the colours and the paper. As a result, Dubliners can enjoy one of the best, and least exposed, collections of Turners in theworld.

Cashless

■ Tail-piece to the electronic eighties: a colleague's last withdrawal of the decade from the Halifax Building Society was an attempt to get £30 from a cash dispenser. She received a £10 note and a £1 Marks & Spencer gift voucher.

حكمة امد الأصل

Charles Leadbeater reflects on demographic changes which are forcing manufacturers to refocus

Dancing to a maturer measure

The career of Mr David Jacobs, the television presenter, sums up the new conventional wisdom on how demographic changes are altering Britain's cultural and commercial priorities. In the 1960s he was a familiar figure to the teenagers of the post-war baby boom, as presenter of Juke Box Jury, the BBC's attempt to meet the demands of the youth generation. In the last few weeks Mr Jacobs has returned to television screens fronting a programme called Prime Time, aimed at what many regard as the growth market of the 1990s – the elderly.

The conventional view is that as the baby boom generation of 1948 passes into its 40s, Britain's population is ageing, lending a silvery-grey hue to the economy. It could have far-reaching consequences for industry, heralding a fundamental shift in priorities as manufacturers, retailers and advertisers strive to capture markets for the mature.

Yet this general truth that the British population – in common with other European countries – will become older in the next decade, hides a complex web of demographic changes which will affect business. The consequences for how people design, make, market and sell their products will amount to much more than a simple shift from youth to older markets.

The 1990s will be more of a decade of children than a decade of grey consumer power. The Henley Centre for Forecasting estimates that by 1997 the number of children under 10 will have grown by 10 per cent. By the end of the next decade the number of under-nines should have risen to about 8m from a low of 7m in the early 1980s, according to the Office of Population and Census Surveys. The number of under-14s should rise to 11.8m in the year 2000 from 10.77 next year.

The early years of the next decade will be dominated by a sharp decline in the number of teenagers and 20-year-olds. The share of the population accounted for by 15 to 19-year-olds will fall from 6.8 per cent in 1990 to 6.1 per cent 10 years later. The proportion of 20-year-olds will fall more markedly from 16.1 per cent to 12.3 per cent.

The young children of the 1990s will mainly be the offspring of the growing "30-something-generation." The number of 30-year-olds will rise from 7.7m to 8.9m or 15.4 per cent of the population by the end of the decade.

Contrary to many crude predictions, the number of 40-year-olds will remain fairly constant at about 7.5m or 13.1 per cent of the population.

There will be contradictory patterns among the elderly. The proportion of 50-year-olds in the British population will rise from 10.3 per cent to 12.3 per cent. The number of 60-year-olds will fall by about half a million to 5.2m, while the number of people over 70 will rise marginally. Overall the proportion of over-60s will fall from 20.8 per cent to 19.9 per cent. The greying of the population will start in the next century, with far-reaching consequences for social policy, pensions provision and health care expenditure.

As far as the next decade is concerned these divergent population trends will have three main consequences for industry.

First, the next decade will mark the end of a 30-year period in which youth has been predominant culturally and commercially.

Prior to the 1960s the idea of young people forming the cultural and commercial vanguard was unthinkable for most people, particularly their parents. But films like Love on the Dole and Saturday Night, Sunday Morning, and the growth of popular music in the 1960s, challenged the assumption that sons would follow fathers and daughters their mothers. That challenge to the authority of their elders ushered in a period when young people set the consumer agenda for the rest of society as mods, rockers, hippies, smoothies, skin heads, punks and new romantics.

Paradoxically, the decline in the number of young people could boost their spending power if labour shortages translate into higher wages. The youth market could be smaller but more affluent.

The prospects for that depend on the employers' response. They are already attempting to offset the fall in the number of school-leavers by increasing their recruitment of married women and older workers. If they are successful this should limit the rise in youth wages.

So the 1990s could mark the reversal of one of the strongest traits of post-war society – the rise of youth. Mr Robert Tyrell, director of the Henley Centre says: "Since the 1960s young people have been used to setting the pace in terms of social values and consumerism. For 30 years it is that youth market which many manufacturers and retailers have focused on. In the next decade that is going to change markedly."

Mr Bob Roscow, account planning director at Saatchi and Saatchi's London office agrees: "Manufacturers and retailers who have been aiming at the teenage market are going to be in a declining part of the market. They are going to have to start appealing to other age groups, not just in how they offer products but in what they offer."

Companies which made products with a middle aged image used to be apologetic about it in the face of sneers of derision from the younger generation. In the 1990s they could find themselves in a much better position. This will be the second important consequence for consumer related industries – managing a structural adjustment away from youth to older markets.

According to Ms Judie Lennon, account planning director at J Walter Thompson, the advertising agency, most companies still want to concentrate on the youth market although they recognise that people are living longer, more affluent lives. They think about markets for older people in stereotypes of booming demand for walking sticks and laxatives.

Clearly this will not suffice. The older markets of the 1990s will differ from the youth markets of the 1960s and 1970s. But the older consumers of the next decade will also differ markedly from their counterparts of 20 and 30 years ago.

There will be two growing markets in the next 10 years. The first will be the "30-something-generation", often as parents of young children. A generation which tasted affluence in the consumer boom of the mid 1980s, will probably retain all its self possession and self obsession, taking many buying habits with them into the 1990s. Some youth products will just spread up the age structure.If the Rolling Stones and Bruce Springsteen can keep going into their 40s so these people can continue to listen to popular music, albeit on compact discs rather than mono record players.

However some products will have to change to capture a share of this market. Next, the clothes retailer, for instance will from the 1990 spring and summer collections divide their stores to launch a new range for men called Next Original. Next says the new range will be "less fashion led but still stylish with designer appeal". It is designed for those who are too old to wear loud check, double breasted suits, with wide lapels, but who could not bear slipping silently beneath waves of grey pinstripe. The clothes will be tailored to "take account of customers' needs," the company says, which means they will accommodate slightly flabbier thighs, more rubbery stomachs and ampler behinds.

According to Mr Tyrell, car makers will be in a similar position: "They are going to have to find ways of presenting their products which do not rely on sex, power and danger." The Rover group has already begun; the advertisement for its latest car, the Rover 200, is a pastiche of the 1960s film The Graduate. Imagery from the 1960s used to be frowned upon, says Mr Roscow. Now its coming into fashion.

The second growth market will be what Ms Lennon at J Walter Thompson calls the pre-retirement "young-old" – the 50-year-olds. She believes they will become an increasingly influential market of people freed from the costs of mortgages and child rearing, approaching early retirement full of zest. Widespread middle and working class inheritance in the next decade, as the first generation of home-owners pass on their properties, will also improve the financial position of the group. The Henley Centre estimates that about 55 per cent of the £10bn bequeathed in 1987 went to 45-59-year-olds.

The travel and airline industries have already begun to capitalise on this group's appetite for leisure. The so-called "empty nesters" travel almost 2.5 times the average and three times the average on longer haul trips to north America.

The ageing affluent may also provide a growth market for luxury items from cosmetics and jewellery to cars. Research by Mr Stephen Reitman, car industry analyst at stockbrokers UBS Phillips and Drew, shows luxury car buyers tend to be about nine to 10 years older and more affluent than the average car buyer. So the extended baby boom in the US, which lasted from about 1948 to 1958, will provide a widening pool of potential luxury car buyers. The same is likely to be true in the UK, albeit to a lesser extent.

Brewers are also starting to reposition for both the young family and the older market. The Victorian boozer, with pool table, video game and juke box is becoming increasingly out of date, according to Mr Jerry Walton, commercial director of Whitbread Inns. He hopes to develop a brand image for pubs which will express different values for the 1990s by being clean, comfortable and non-threatening, with facilities for children, and food available at all times, especially to cater for older people out for a lunchtime snack.

What people drink in these pubs will also be different, with more soft drinks, no alcohol and low alcohol beers and lagers and coffee. "We have to persuade people that going to pubs is not about more heavy drinking," say Mr Walton.

Finally, demographic trends will hasten a shift away from standardised mass markets towards more flexible production for more segmented markets. Companies planning for a European market will be faced with divergent trends. Britain's position is anomalous. In France, West Germany, Italy and Spain the proportion of 40-year-olds and over-60-year-olds will rise, whereas in Britain they will remain static and fall respectively. The surge of British over-50s is not reflected in these countries. As a result European consumer markets are likely to become less similar, according to Mr Paul Johnson, a demography specialist at the London School of Economics.

The UK market itself is likely to become more segmented, as the prospects for the housing market show. The outlook for house building and mortgage lending should be gloomy, as the decline in the number of young people will depress first time buying for several years.

However, forecasts compiled by the Halifax building society tell a different story. The shift towards smaller households and the expansion of the 30-59 age group will provide a healthy demand for houses and mortgages. The Halifax predicts ownership rates among the 30-44 year olds will rise from 70 per cent to 85 per cent by the end of the century, while among 45-59 year olds it will rise from 45 per cent to 61 per cent.

Mr Gary Marsh a Halifax economist says the main problem for the construction industry will not be the quantity but the type of housing it provides : "There are probably too many four-bed, detached houses. Demand in future will be more differentiated – solos for young people, smaller houses for young families and single parents, more single occupancy and smaller, sheltered housing for the very elderly." The construction industry will have to be much more customer conscious.

Mr Thomas Bayne, managing director of Product Development Partnership, the leading UK consultancy, believes the demographic changes will hasten the trend towards segmentation in the consumer goods and motor industries. "Older, more, assertive consumers will be more affluent, discerning and thoughtful about products. Manufacturers will have to get better at designing products for market segments and using flexible production processes to make them."

Spare a thought for what life will be like for the children of the 1990s as they look on with embarrassment as their parents struggle into ill-fitting Levi 501s and sway trance-like to Bruce Springsteen's 50th birthday album.

Saturday's Weekend FT will be devoted to The Third Age

LETTERS

The law of nations on foreign 'intervention'

From Mr B.J. Howard.

Sir, Justinian (January 2) disputes Eli Lauterpacht's argument that the US action in Panama may be justified under international law and refers to an opposing "prevailing view among [unnamed] international lawyers." I think Professor Lauterpacht's proposition – which I have not seen in full – has been dismissed too lightly.

There seems to be no doubt that Noriega "stole" the election; his status at best was as a *de facto* ruler. There must surely be some justification for helping establish a *de jure* government, even if it is felt that Noriega's declaration of war and the assaults to which US nationals in Panama were subject are inadequate grounds for a plea of self-defence.

Comparing Panama to Suez and the Falklands obfuscates the issue and ignores practical considerations. The Organisation of American States proved as helpless in dealing with Panama as the Organisation of African Unity was in dealing with Idi Amin, who is a much closer parallel to Noriega, mentally as well as politically.

Perhaps the Romanian armed forces had no right to put Nicolae Ceausescu – who was head of the armed forces – before a court-martial. But is seems clear that his accusers took this step reluctantly, and in order to curb the carnage resulting from his refusal to step down. The principle of self-defence can sometimes be extended to the preservation of the lives of others. Maybe innocent Romanians and peaceful Panamanians deserve such consideration.

B.J. Howard,
RR 2, Pinebrook Road,
Bedford,
New York

Toothsome

From Mr David Sawers.

Sir, The trouble with Mr Samengo-Turner's argument that human beings are and will be omnivorous because they have teeth suited for eating flesh (Letter, December 28) is that human teeth are as well equipped to eat human flesh as that of other animals. Most societies believe that eating people is wrong.

Vegetarians believe humans need to face the moral issue of whether it is also wrong to eat other species of animal. Does superior intelligence justify the infliction of suffering and death on other animals? Christian theologians have suggested that other animals can be exploited by man because they do not have souls. This argument is less persuasive at a time when many people no longer believe they have souls themselves.

People have changed many habits as civilisation has evolved. The question they ought to be asking is whether civilisation can evolve towards a less violent, more peaceful form while people believe it is justifiable to employ violence on other animals.

David Sawers,
Crosby,
10 Seaview Avenue,
Angmering-on-Sea,
Littlehampton

Retirement

From Mr Hugh Roberts.

Sir, The Banking, Insurance and Finance Union (Bifu) represents thousands of people in the finance industry in which the trend has been for those between the ages of 50 and 65 to seek early retirement. These people, and others like them, face an increasingly confused and absurd situation.

They often take a pension which is now offset or abated against unemployment benefit. The justification for such abatement was that the early retired were in receipt of an occupational pension.

Yet in order to secure a complete contribution record – national insurance credits – towards the basic state pension, the early retired are required regularly to "sign on" as unemployed. Many of my early retired members are concerned that if they are not available for work or fail actively to demonstrate their search for work they may jeopardise their credits towards the basic state pension.

I challenge the Government to justify the regime which gives rise to fears such as these.

Hugh Roberts,
Bifu,
Sheffield House,
1b Amity Grove,
Raynes Park, SW20

Goodwill in accounting

From Mr Philip Remnant.

Sir, The accounting debate on goodwill is set to enter a new phase with the imminent publication of the exposure draft on the subject. I note with concern an increasing detachment from reality on the part of those who support the capitalisation and amortisation of goodwill.

Professor Nobes (FT, December 21) is quite correct to say that financial analysts can easily adjust for goodwill charges. They will certainly do so. Bankers will normally eliminate goodwill from the balance sheet in assessing a company's financial position. However, to promote a system of accounting which actively encourages users of accounts to adjust figures set out on the face of accounts audited as true and fair seems inherently wrong.

Professor Nobes feels that the proposed accounting changes may even restrain some directors from some unwise purchases. I would hope that judgmental views on the success or otherwise of companies' past acquisitions are not dictating the formulation of accounting standards. Acquisition strategy must be a matter for boards of directors, rather than the Accounting Standards Committee.

There are a number of technical reasons why the ASC's proposals may represent a sounder basis for accounting for goodwill. In practice, they are unlikely to be welcomed by many companies, their financial advisers and other users of accounts. The changes are certainly not a move in the direction of a coherent treatment of assets.

Philip Remnant,
20 Fenchurch Street, EC3

West needs an equity stake in eastern European restructuring

From Mr David Ellis.

Sir, It is to be hoped that the West does not repeat the mistakes it made with Third World countries in rushing to help eastern Europe. The last thing we all need is large loans at interest rates so high that they continually have to be rolled over.

Surely the better way is for the West to take an equity interest in all projects it finances. That way, the countries we "help" are not saddled with burdensome interest payments and loan repayment schedules. It also gives the West the necessary incentive to become directly involved by offering (and, indeed, insisting upon) management skills in supervising the projects.

The end result will be a share in success, instead of explaining to shareholders, several years on, why the debts have turned bad.

David Ellis,
The Old Playhouse,
Hollingbury Court,
Cuckfield Lane,
Warninglid,
Haywards Heath

Dividends for charity

From Mr Michael Brophy.

Sir, I write in support of Michael Gardiner's letter (December 30) which puts forward the idea that the trifling amounts of dividend paid on the balance of share issues might somehow go (tax efficiently) to charity.

This year the Charities Aid Foundation will distribute some £70m to charities on behalf of a wide range of company and other clients. If, as Mr Gardiner suggests, it became the custom for companies to nominate charities as the recipients of these small and largely unwanted cash residuals (say, anything below £1) then CAF could and would be happy to help aggregate them.

The company would simply notify potential recipients that their residual cash balance had been paid over to CAF, either for unspecified charitable purposes or for purposes as specified by the company, perhaps those which conform to company policy on charitable gifts.

Over time I believe this process would account for many millions of pounds of new money for charity. It would also draw shareholders' attention to the need to support charity. Our problem is how to make a start. We would welcome suggestions.

Michael Brophy,
Director,
Charities Aid Foundation,
48 Pembury Road,
Tonbridge

FINANCIAL TIMES
Thursday January 4 1990

UK, Hong Kong bow to Peking pressure on rights bill

By **John Elliott** in Hong Kong and **Robert Mauthner** in London

THE British and Hong Kong Governments are believed to have bowed to pressure from Peking and agreed to water down a proposed Bill of Rights for the colony.

The Bill of Rights is intended as one of the main policies designed to bolster the battered confidence of the people of Hong Kong in the run-up to 1997 when the colony will revert to Chinese control.

Under the original plan the Bill, which will still theoretically guarantee a number of basic freedoms, would have become paramount over all legislation covering the colony so that no other legislation could compromise its principles.

Objections by the Chinese, who oppose the idea of any Bill of Rights and who do not, in effect, recognise these rights on the mainland, mean that this will not now be the case.

Mr Jeremy Mathews, Hong Kong's Attorney General, said *in October that* "entrenchment" to make the Bill paramount in Hong Kong law was one of the measure's basic principles. However, Britain and Hong Kong are now expected to drop plans to make a Bill of Rights superior to all other laws after Chinese objections.

Bowing to Peking over this issue could cause yet more disappointment and recrimination in the colony just before a visit by Mr Douglas Hurd, the British Foreign Secretary, from January 13 to 16.

The British Government's policies on Hong Kong, and the Vietnamese boat people held in Hong Kong camps, is already under sharp attack at home and abroad.

The proposed Bill of Rights legislation will enshrine the provisions of the two international covenants on civil and political rights. But diluting its force could considerably reduce the Bill's effectiveness in guaranteeing human rights after 1997 when China would be free to amend the law after regaining sovereignty.

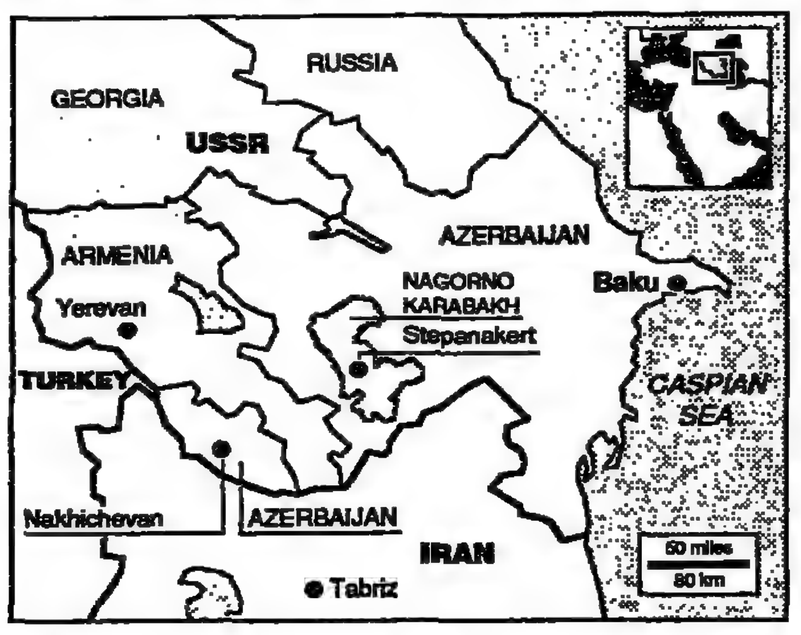
A draft will be published later this month, perhaps as soon as January 12, the day before Mr Hurd arrives. The Hong Kong government will then claim that the legislation is protected because China has agreed in the 1984 Sino-British Joint Declaration on the 1997 handover and in the proposed post-1997 Basic Law, that the two international covenants on civil and political rights and economic, social and cultural rights shall remain in force.

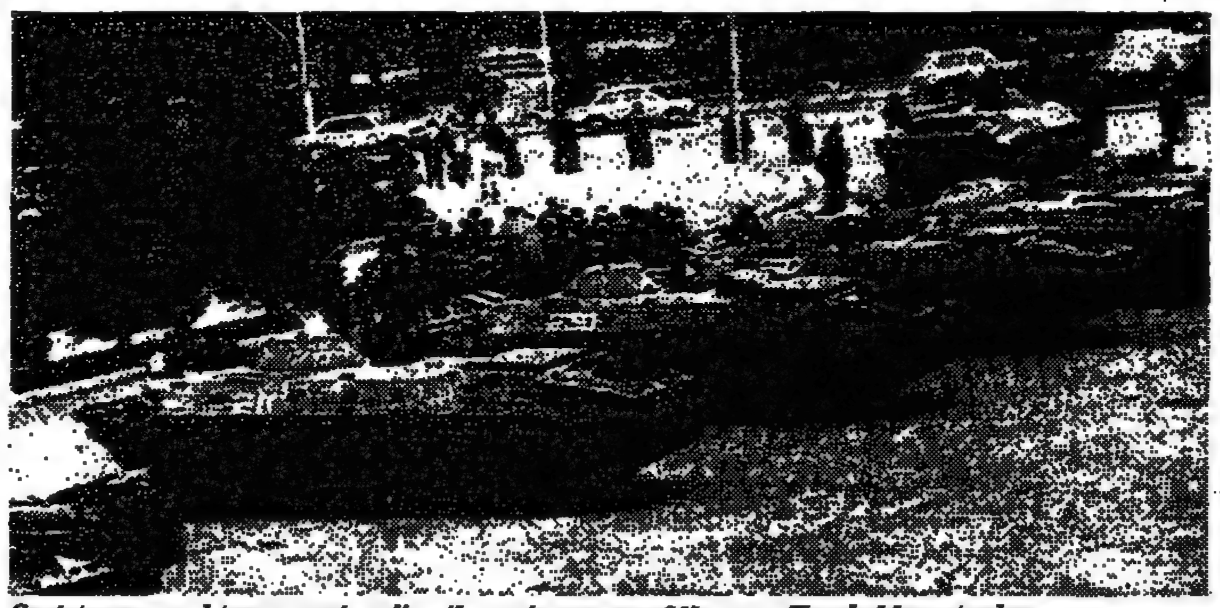
The covenants cover a range of rights including liberty, security, and freedom of movement, privacy and speech. The June crackdown in Peking underlined for the people of Hong Kong that none of these rights are guaranteed on the mainland. This is the first big issue on which Hong Kong and the UK have bowed to pressure from the Chinese Government since determining to take a firm stand following the massacre of demonstrators in Peking in June.

China has shown recently that it opposes all measures introduced in response to June's events. It has rejected demands for faster democratic reforms in Hong Kong, and last weekend it threatened retaliatory action if a controversial British passport scheme for up to 225,000 people is not abandoned.

These are among the issues Mr Hurd will discuss with Sir David Wilson, the Governor, who will have returned from his first meeting with Chinese leaders in Peking since the June massacre, and with members of Hong Kong's Executive Council.

Hurd seeks to reassure; Legal officer disappears, Page 3





Soviet armoured troop carriers line the main square of Nagorno-Karabakh yesterday

Anger of a people at the edge of empire

Quentin Peel and **Victor Mallet** on Azeri distrust of both Moscow and Tehran

NATIONALIST rivalries in the Azerbaijan region straddling the tightly controlled Soviet-Iranian border, where Soviet Azerbaijanis are reported to have gone on the rampage this week and demanded free access to their kinfolk, go back a long way.

Before the 19th century, Yerevan and Nakhichevan, both the scenes of recent unrest, were part of Persia although the expansion of Russian influence left the Azeri community divided, with an estimated 7m in the Soviet Union and a further 5m in Iran.

It was therefore with alarm that Moscow watched the efforts of the Iranian revolutionaries who overthrew the Shah in 1979.

With the help of inflammatory radio broadcasts, the anti-Communist Iranian clerics under the late Ayatollah Khomeini attempted to proselytise among the predominantly Shia Azeris and the other Moslems of the southern Soviet Union.

All that has changed now. Relations between the Soviet Union and Iran have improved dramatically over the past two years. The two sides have dropped their ideological and religious objections and identified broad areas of mutual pragmatic interest.

Moscow was the first foreign capital visited by Hojatoleslam Ali Akbar Hashemi Rafsanjani after the death of Ayatollah Khomeini in June, for talks with Mr Mikhail Gorbachev, the Soviet President. The occasion was a very public demonstration of Soviet support for Mr Rafsanjani before he became the new Iranian President.

Since then, both sides have gone on to revive a major trade deal, in the shape of a swap of Iranian natural gas for Soviet construction work and industrial equipment, initially valued at some $6bn.

On the Soviet side, the interest in promoting relations with Iran has had at least four sources of inspiration.

In the first place, the Soviet authorities were most keen to gain Iranian support for the Soviet withdrawal from Afghanistan.

That meant persuading Tehran to end its active military support for the Mujahideen guerrillas in Afghanistan, and in 1988 the Iranian Government went on record in favour of a political settlement.

Second, the Kremlin has always been desperate to minimise the risk of any rise of Moslem fundamentalism in the tinderbox of religious and inter-ethnic relations in Central Asia and the Caucasus.

Third, a positive Soviet role in promoting peace in the Middle East, including between Iran and Iraq, has fitted with the new Soviet image of foreign policy peacemaker.

Iran, as a pariah in the international community, was seen as a classic case of a country in need of a pragmatic godfather.

Finally, there was an obvious commercial relationship to be forged, with Iran able to offer real markets for Soviet exports of heavy equipment and machinery, which are not easily saleable in the West.

In return, Iranian natural gas fills a critical energy gap in the Trans-Caucasus, where one nuclear power station in Armenia has been scrapped, and another, in Azerbaijan, is being reconverted to natural gas.

A string of high-level economic and commercial contacts, culminating in the gas deal in November, already appear to be reaping dividends.

The latest indication is that Iran has expressed interest in buying Soviet aircraft, to supplement its US-manufactured fleet, for which it is finding spare parts hard to buy.

Aeroflot, the Soviet carrier, and Iran Air are talking of opening up more bilateral routes, including links to Baku, the Soviet Azerbaijani capital. Iran is optimistic about Soviet-assisted oil exploration in the Caspian Sea.

For Iran, the economic benefits of co-operation with its northern neighbour are obvious, whatever Khomeini may have felt about the twin evils of Soviet Communism and American capitalism.

Under Mr Rafsanjani, Iran's good relationship with the Soviet Union is also seen as a handy political foil in dealings with the West, although its usefulness could diminish with the end of the Cold War.

It may seem a surprising gesture for the Soviet Union to have allowed Mr Rafsanjani to preach a brief sermon last year in Baku – where people were seen in 1988 with placards showing the grim face of Khomeini – but Moscow and Tehran have a common interest in keeping Azeri nationalism under control.

As a group the Azeris – called Turks in Iran – are no more enthusiastic about the Iranian fundamentalist leadership than they are about Soviet centralism.

Some are Christians and the Shia Moslems were generally followers of the late Ayatollah Shariatmadari. He opposed Khomeini's attempt to concentrate power *in the hands of the* clergy and was placed under house arrest, prompting violent demonstrations in Tabriz, the capital of Iranian Azerbaijan.

This week's violence is likely to have been caused, at least in part, by genuine frustration with the difficulties of doing any kind of business across the frontier, rather than by pro-Iranian sentiment or religious fervour.

By late yesterday, the Iranian Government had made no public statement about the border incidents. Azerbaijan may be at the periphery of the Soviet empire but it is also at the edge of Mr Rafsanjani's fiefdom.

W Germany clears sale of US anti-cancer drug

By **Peter Marsh** in London

THE flagging fortunes of the *biotechnology industry* received a boost yesterday when Cetus, a leading US biotech company, said it had received permission to sell in West Germany a genetically engineered drug for cancer treatment.

Interleukin-2 is a naturally occurring molecule which Cetus has found a way to make in large quantities using new biology methods.

West Germany, the world's third biggest pharmaceuticals market after the US and Japan, is the most important country in terms of potential sales yet to approve the product for general use among patients suffering from specific forms of cancer.

Interleukin-2 has been under study for several years by several companies but progress in *bringing it into full-scale use* has been slower than expected.

The delay is typical of general problems facing the biotechnology industry in the past five years. In the early 1980s, drug-industry observers saw great potential for these medications *but many have failed* clinical trials.

California-based Cetus is the only company yet to gain approval for selling interleukin-2, which is also under development at several other groups.

Interleukin-2 increases the effectiveness of the human immune system in a way that is thought aids the natural defence of the body against attacks by viruses and the spread of certain tumours.

Eurocetus, Cetus's European subsidiary *which is based in* Holland, last year received approval from the governments of Denmark, France, The Republic of Ireland, the Netherlands and Spain to sell the drug on prescription for use by patients with kidney cancer. Cetus has filed for permission to sell the product for this use in the US.

The approval in West Germany applies only to treatment related to kidney cancer.

EC patents, Page 2

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	8	46	Malta	F	16	61	Rhodes	C	14	57
Algiers	F	18	64	Edinburgh	C	5	41	Manchester	C	5	41	Rio de J'o	C	32	90
Amsterdam	C	2	36	Faro	F	12	54	Manila	F	31	88	Rome	S	10	50
Athens	C	9	48	Florence	S	8	46	Melbourne	–	–	–	Salzburg	S	2	36
Bahrain	F	20	68	Frankfurt	C	0	32	Mexico City	F	24	75	San Francisco	S	5	41
Bangkok	F	32	90	Funchal	C	14	57	Miami	C	22	72	Seoul	S	-2	28
Barcelona	F	9	48	Geneva	C	0	32	Milan	Fg	-2	28	Singapore	–	–	–
Beirut	–	–	–	Gibraltar	R	11	52	Montreal	C	-1	30	Stockholm	Sn	-4	25
Belfast	R	6	43	Glasgow	R	5	41	Moscow	S	-13	9	Strasbourg	C	0	32
Belgrade	Sn	0	32	Guernsey	C	7	45	Munich	C	-1	30	Sydney	S	28	82
Berlin	C	1	34	Helsinki	S	-12	10	Nairobi	C	22	72	Taipei	R	18	64
Biarritz	C	14	57	H. Kong	C	17	63	Naples	S	10	50	Tangier	R	11	52
Bombay	–	–	–	Innsbruck	S	0	32	Nassau	C	30	86	Tel Aviv	C	18	64
Bordeaux	C	7	45	Inverness	F	1	34	New Delhi	Fg	8	46	Tenerife	F	18	64
Brussels	C	2	36	Islamabad	F	16	61	New York	F	3	37	Tokyo	F	9	48
Budapest	Sn	0	32	Istanbul	C	1	34	Nice	S	11	52	Toronto	S	-3	27
B. Aires	C	24	75	Jakarta	R	30	86	Nicosia	S	18	64	Tunis	C	13	55
Cairo	F	20	68	Jersey	F	7	45	Oporto	S	10	50	Valencia	R	10	50
Cape Town	S	24	75	Jo'burg	S	24	75	Oslo	Sn	-7	19	Venice	S	5	41
Caracas	C	25	77	Lima	C	25	77	Paris	C	1	34	Vienna	S	-1	30
Casablanca	C	12	54	Lisbon	F	10	50	Peking	S	0	32	Warsaw	Sn	-3	27
Chicago	S	1	34	London	C	5	41	Prague	F	-3	27	Washington	C	-1	30
Cologne	C	0	32	Los Angeles	S	9	48	Reykjavik	F	5	41	Zurich	C	-2	28
Copenhagen	C	0	32	Luxembourg	C	-1	30								
Corfu	C	12	54	Madrid	F	8	46								
Dallas	C	11	52	Majorca	F	15	59								
Dublin	C	8	46	Malaga	C	13	55								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

EC pushes for wider trade links with Eastern Europe

By **David Buchan** in Brussels

THE EUROPEAN Community looks set to complete its full range of trade and economic co-operation agreements with the newly democratised countries of Eastern Europe by mid-year.

The Brussels Commission, which acts as the 12 EC states' trade negotiator, said yesterday negotiations would begin soon to widen its limited 1988 trade accord with Czechoslovakia, to recast the terms of its 1980 trade pact with Romania, and to conclude first-time trade and co-operation agreements with East Germany and Bulgaria.

Mr Frans Andriessen, the External Affairs Commissioner who was in East Berlin last month for talks, has been formally invited to visit Czechoslovakia, *Romania and* Bulgaria, the Commission said. The EC already has agreements with Hungary, Poland and the Soviet Union, reducing or phasing out quotas on their exports to the Community and establishing a regular framework for exchanging economic information and knowhow in multiple sectors.

INSIDE

- E Germany lifts veil from economic details, Page 2
- Bonn attempts to add up the costs of integration, Page 2
- Poland set to win generous debt deal, Page 2
- SA finds new friends Page 3
- Tokyo in policy switch Page 5

The Commission is today to discuss a report from its officials who were in Bucharest in late December on what emergency food aid the new Romanian Government wants and what the Community can provide.

The Community has so far given Romania Ecu6.5m ($7.7m) in emergency food aid, far less than the Ecu130m given or promised to Poland, but EC officials say finding the necessary food and money for further aid to Bucharest is becoming harder because Community stocks have been run down.

In particular, Romania is asking for meat and butter, for which Community stockpiles are currently low.

EC governments and West Germany in particular have set mid-1990 as the deadline for conclusion of a trade and co-operation accord with East Germany, whose former regime was the last in Eastern Europe to request such a link with Brussels.

Some ground has already been prepared for similarly broad arrangements with other East European countries. Czechoslovakia has an existing, narrowly focused, trade deal, while the Commission was given the authority in 1986 to negotiate a co-operation agreement with Romania but, *out of growing distaste for the* Ceausescu regime, never acted on it.

The planned EC agreement with East Germany will not affect that country's trade with West Germany, the Commission said, because inner-German trade lies outside the scope of the Treaty of Rome.

Canadian to chair interim committee

Continued from Page 1

suggested by the US but much less than proposed by Japan or West Germany. Moreover, a possible deal on the distribution issue has been opened up by Britain's willingness to cede second position in the ranks of the IMF's members to Japan.

If these points are not decided within the next few days, a full meeting of the interim committee, consisting of the finance ministers of member countries, will be held in three weeks in Washington.

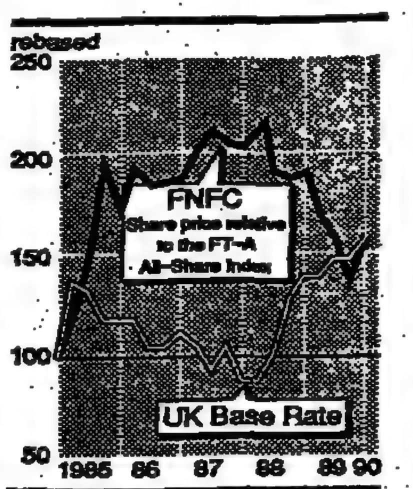
Mr Wilson qualifies for the chairmanship as one of the most experienced finance ministers of a leading industrial country, having occupied his present post since 1984. He is regarded as a solid, if unexciting, contributor to *international* discussions.

Traditionally, the chairmanship of the interim committee has been occupied by a European or Canadian finance minister. However, the current choice has been limited because the West German and the British finance ministers were both only appointed last year. It might have been difficult to have Mr Pierre Bérégovoy, France's Finance Minister, *as chairman of the key committee* because Mr Michel Camdessus is currently managing director of the fund.

THE LEX COLUMN

Bulls rush into the new decade

UK interest rates have peaked, the pound and the *dollar* have stopped falling, recessionary fears have vanished on both sides of the Atlantic and the Japanese are pouring money into the West German equity market. If only these excuses for the recent dramatic rally in share prices around the world are eventually proved to be correct, then it would be much easier to be bullish about the prospects for equities for the rest of the year. But stock markets are fickle animals, increasingly driven by swift changes in sentiment rather than accurate reflections of changes in economic reality. Although the rise in trading volumes is bullish, the negative arguments have hardly disappeared.



It was less than three months ago that Wall Street fell by 7 per cent in a single day and the West German market fell by 13 per cent. And even if there is not a repeat of these sorts of rather scary corrections, there must be a worry that the markets are going to run ahead in January, and then go nowhere *for months to* come – like last year. Admittedly, events in Eastern Europe mean that the world is a happier place than it was three months ago and there is a possibility that investors in the UK and the US are looking through the *coming slowdown* and are prepared to buy equities for profits in 1991 and 1992.

It would be dangerous to use the political events of the last couple of months to justify any further largescale re-rating. Meanwhile, tomorrow's US *employment figures for* December are likely to give a far better clue to the health of the US economy than this week's purchasing managers' report. Sterling has stabilised, but it may well be temporary, and the recent rise in the oil price and *the horrible performance* of many bond markets are not good news for equities. The Japanese may be able to ignore traditional relationships between bonds and equities, but it would be dangerous to believe that the behaviour of *other investors has changed* so radically that they can ignore such problems for very long.

Dixons

Retailers' accounts have long been a minefield of stock write-*downs, capitalised interest* and the like, so it is not surprising that Kingfisher is digging up Dixons' past figures. The main allegation is that retailing profits have been flattered by both property sell-offs and financial services gains. Certainly property profits, if earned by selling sites used in trading, present philosophical problems. On one day, shareholders own an asset worth £x; on the next, they have cash worth the same amount. Profit should not come into it. One can create value in property by development and that is what Dixons now claims to be doing with its portfolio. But such diversification rather dilutes the defence proposition that Dixons' shares are a pure play on the consumer cycle. The best Kingfisher argument, given the composition of its own profits, *is not the fact of property gains* but their apparent obfuscation; Dixons needs to rebut that allegation convincingly.

On financial services, it is genuinely hard to see how one can separate gains on warranties or hire purchase sales from normal retailing profits. Analysts would not be pleased if, for example, retailers failed to charge credit card commissions to their profits. Dixons may well be better than Comet at exploiting such avenues, but that seems good news for its shareholders rather than the other way round. If it could be shown that financing profits are low in quality, that might be a different matter, but since bad debt risk is borne by the finance houses, not Dixons, the case looks unproven.

T&N-Hill Samuel

Given that seven London solicitors' firms and an unknown number of QCs were beavering away at the three-year-old litigation between T&N and *Hill Samuel*, some City folk will see it as no bad thing that the matter has been quietly settled without a costly trial. If the lawyers' grapevine is correct, T&N was asking for £20m. That would have made the *case* almost as big as that *cause celebre* of negligence suits, Johnson Matthey versus Arthur Young, which was scheduled for a six-month trial before being settled.

Yet it would have been no bad thing to see thrashed out in open court some questions raised by Hill Samuel's thwarting of T&N's first bid for AE in 1986. True, the facts of the case have seemed pretty clear, ever since the Takeover Panel lambasted Hill Samuel for not revealing that it had indemnified friendly buyers of 7.3 per cent of AE. *But* there are legal issues, concerning litigation over merchant banks' liability for damages arising from their role in takeover bids, which need clarifying. Those issues concern not definitions of negligence – which have been clear *since* the early 1960s – but thorny problems of just how you tot up damages in situations such as T&N-AE, and the question of how wide a range of parties can sue the merchant bank.

All this matters because this type of litigation has grown since the first publicised case, Singer & Friedlander versus Pentos in 1982. Lonrho's negligence suit against Kleinwort Benson over the House of Fraser is an obvious example; but one City law firm reckons *it has half a dozen such cases* against merchant banks on its books. And at Lloyd's the amount of insurance cover available for merchant banks has been shrinking, which ought to bother them as much as similar problems have worried *accountancy firms*.

FNFC

The combination of a rising tax charge and draconian rises in interest rates has meant that First National Finance *Corporation's heady growth* rate over the past five years has finally come to a halt. However, the fact that it has been able to more than offset the predictable downturn on its property side with a rise in commercial lending profits, *and push its consumer* credit profits to nearly £50m – four times the figure five years ago – is a measure of this group's resilience. Pre-tax profits are not going to do much in the current year, but the dividend should still rise faster than the market average. A prospective yield of 8 per cent reflects the fears about the impact of continued high interest rates, which in the case of this group, at least, seem overdone.

FINANCIAL TIMES
COMPANIES & MARKETS
© FINANCIAL TIMES 1990
Thursday January 4 1990

INSIDE

Committed to future technology

There can be no doubting the commitment to computerised trading shown by the London Futures and Options Exchange's first chief executive Mr Mark Blundell *(left)*, who took over the job last month. He says that all new contracts planned for introduction this year will use the automated trading system at present used for the white sugar contract. It costs less for the exchange to put in an ATS terminal — £10,000 to £15,000 a year — than take on a junior member of staff, he says. Page 24

Japan catches the takeover bug

Mention takeovers, and one usually thinks of the US and Michael Milken, or the UK and Sir James Goldsmith. But the M&A business is becoming big in Japan. Although the number of deals is small, deregulated financial markets are threatening the hitherto cosy relations that financial institutions have enjoyed with their clients. So banks and securities houses have built big in-house M&A teams and formed alliances with specialist foreign firms to improve their knowhow. Page 19

Year of the conservatory

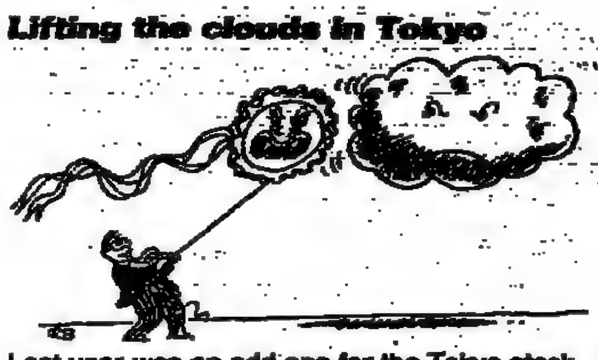
FIRST NATIONAL

First National Finance Corporation, despite, in the chairman's words, "swimming against the tide" as a credit institution at a time of high interest rates in Britain, recorded a 4 per cent advance in pre-tax profits from £68.71m to £71.57m in the year to October 31. Consumer credit held up reasonably well. Mr Tom Wrigley, chief executive, said that lending for home improvements and second mortgages had accounted for the growth: "It was the year of the conservatory." Page 21

A little to smile about

There was some smiling during another day of inconclusive court action across Australia in the battle to save Bond Corporation Holdings, the empire of Mr Alan Bond, from receivership. Directors of Bond Media, the broadcasting group, raised hopes that the company could avoid being drawn into its parent's threatened collapse when they said the company had no loans, guarantees or similar arrangements with Bond Corporation. Page 18

Lifting the clouds in Tokyo



Last year was an odd one for the Tokyo stock market. For the first three quarters of 1989, the exchange could not shake off a cloud of gloom caused by the death of Emperor Hirohito, the Recruit scandal, the falling yen and rises in interest rates. Then the worldwide fall in October seemed to blow the cloud away — Tokyo rallied quicker than other markets, and a triumphant push at the end of the year produced a rise of 29 per cent for 1989, outdoing Wall Street. Page 35

Market Statistics

Base lending rates	32	London share service	30-31
Benchmark Govt bonds	28	London traded options	28
European options exch	32	London tradit. options	28
FT-A indices	29	Money markets	32
FT-A world indices	36	New int. bond issues	28
FT int bond service	18	World commodity prices	24
Financial futures	32	World stock mkt indices	33
Foreign exchanges	32	UK dividends announced	21
London recent issues	29	Unit trusts	25-29

Companies in this section

ACCOR	21	LASMO	22
Aitch	22	Legal & General	21
Ann Street Brewery	23	Lowndes Queensway	21
Asko	18	Merrill Lynch	20
BSN	18	Metro	18
Banca del Gottardo	18	Northumbrian Water	21
BIG	18	Orkem	18
Bond Corporation	18	Pepe	22
Campbell Soup	18	Provident Financial	23
Cetus	18	Sanderson Murray	23
Edinburgh Hibernian	21	Savills	22
Elf Aquitaine	18	Sea Containers	21
Exxon Chemical	18	Serif Cowells	23
FNFC	21	Severn Trent	21
Foseco	22	Stena	21
Group Pechiney	22	Summer International	23
Hollas	23	Sun Alliance	21
Inoco	21	Tiphook	21
Kode International	23	Total	18
K'wort Benson Gilt	23	Whitbread	21
L.J.Hooker	18	Wood Gundy	20

Chief price changes yesterday

FRANKFURT (DM)							
Rises				**Falls**			
Allianz	2548	+	74	Germany Fund	18⅝	−	½
BMW	596	+	30	Integrated Dev's	7	−	⅞
Lahmeyer	950	+	30	Showboat	8⅞	−	¾
Preussag	446	+	21.5	**PARIS (FFr)**			
Siemens	751	+	21	**Rises**			
Falls				Eurotunnel	64.1	+	6
Rosenthal	352	−	11	BTP Entreprises	7340	+	143.9
NEW YORK ($)				Geophysique	1025	+	92.7
Rises				Imetal	325	+	21.3
Apple Computer	37¼	+	½	**Falls**			
Digital Equip.	86	+	1⅞	SCOA	3.6	−	1.4
IBM	99¼	+	1⅛	Sauac	730	−	27

New York prices as at 12.30pm. Tokyo closed.

LONDON (Pence)							
Rises				Racal Elec	257	+	11
Abbey Nat.	187	+	6	Redland	535	+	14
Body Shop Int.	644	+	40	Rolls Royce	193	+	5
Boots	291	+	17	Utd Biscuits	370	+	8
Brit. Steel	143½	+	6	Warburg (S.G.)	495	+	20
Cable & Wire.	570	+	13	Wessex Water	178	+	7
Ebro Grp.	185	+	16	**Falls**			
GEC	238	+	9½	Brit. Aerospace	597	−	7
Glaxo	805	+	19	French Conn.	55	−	10
Lon. & Manch.	362	+	7	Guinness	674	−	10
Marks & Spencer	213	+	9	Midland	398	−	11
N.W. Water	161	+	8	Tesco	195	−	2
Polly Peck	419	+	24				

Pump brings a breath of fresh air to Reebok

Roderick Oram looks at how an innovative basketball shoe is revitalising the US sports equipment company

At $170 a pair, the Pump is taking the US sports shoe business to dizzy new heights of technology and pricing.

Introduced recently by Reebok International, the basketball shoes are the hottest product the industry has seen for years.

"It's generating a lot of excitement," said Mr Stan Sterenberg, owner of an Athlete's Foot franchise store in Manhattan. "Many people are coming in to play with it and lots of them are buying." Customers range from fashion-conscious teenagers to well-heeled amateurs playing in the local lawyers' league.

Squeezing a miniature basketball embedded in the top of the Pump's tongue inflates the lining of the shoe. "It's a breakthrough," said Mr Paul Fireman, Reebok's chairman. "For the first time you can get the perfect fit" for a sport renowned for punishing feet.

Reebok, 32 per cent-owned by Pentland Industries of the UK, has taken a pounding of its own in the past couple of years. Short of innovative products and hurt by financial and management problems, it has lost ground to Nike at the performance end of the market and to L.A. Gear at the fashion end.

But things are now back on track, say Mr Fireman and his colleagues, who hope interest in the Pump will spill over into their other products. Their view is shared by their trade customers.

"I see some new energy at Reebok I haven't seen for a while," said Mr Terry Apple, a buyer for the Athlete's Foot chain. "The pieces are falling back into place again, both on products and marketing."

From a standing start at the beginning of the decade, Reebok zoomed to sales of $919.4m in 1986 on the back of the boom in aerobics and other sports. Sales kept growing to $1.79bn last year, but net profit margins halved from 14.4 per cent to 7.7 per cent in the same period. Earnings fell from $1.49 per share in 1987 to $1.20 last year.

"About 18 months to two years ago we got stale at making new products," Mr Fireman admits. Playing for time to brighten up its range, the company tried to keep the brand's momentum going with thematic advertisements under the slogan "Reeboks let U.B.U."

"Retailers hated it," Mr Fireman says. Although some customers liked the campaign, the public turned choosy and Reebok's inventories shot up to 100 days' supply. With some 80 per cent of its shoes made by subcontractors in South Korea, profit margins suffered from a rapid rise in the won against the dollar.

Rockport, a recently acquired upmarket maker of dress shoes, was floundering and Reebok was failing to fulfil its ambitions to diversify into sports clothes.

In an industry where fashion and technology feed each other, Reebok fought back on both fronts. It began working on the Pump some two-and-a-half years ago with a medical supply company, adapting its technology of air-filled casts for broken bones. The company makes the inflatable parts of the Pump in the US and these are shipped to Reebok's subcontractor shoe makers overseas.

The system is patented "but we can be imitated," Mr Fireman says. Nike, with which Reebok battles for leadership of the US sports shoe market — each has a share of some 25 per cent — introduced its own form of inflatable shoe last month. But it is slightly more expensive, has a cumbersome detachable pump and inflates only around the ankle rather than most of the foot like the Pump. On both shoes, a valve on the heel lets air out.

Reebok will extend the Pump technology at lower prices to shoes for other sports, starting with tennis in the spring, aerobics within six months and running next autumn.

To liven up its fashion sense, Reebok has created a west coast group to design and test market products in California, the hot bed of trends. "That's where it's happening," says Mr Fireman. In a similar vein, it is putting together groups of European and Japanese distributors to plug more effectively into new styles in their regions.

"We haven't done a good job with apparel. It should be a $300m to $500m-a-year business," Mr Fireman says, citing Adidas, its West German competitor, which derives roughly half its revenues from clothing. Reebok has brought in more people from the apparel industry "to do something distinctive" with its lines.

Reorganisation at Rockport has turned it into "a whole new company." This year it will double its operating profits to about 15 per cent on some $200m of sales.

Two notable changes have also been made in corporate management. Three months ago, Mr Mark Goldston resigned as senior vice president for marketing after only 11 months at the company. Analysts welcomed the move, saying his hard-charging and abrasive manner had been at odds with Mr Fireman's management style. Moreover, his departure would give more freedom to long-serving marketing staff associated with Reebok's earlier successes.

In a further upheaval, Mr Joseph LaBonte resigned last November as president and chief operating officer. Again analysts were unperturbed. Another executive with a reputation for abrasiveness, he had lost much of his power after the company created division presidents. These officials now report directly to Mr Fireman.

On the production side, Reebok has diversified its suppliers countries such as Taiwan and China, leaving South Koreans with some 50 per cent of its business.

The financial picture is much brighter. The company is virtually debt free, generating nearly $300m a year in free cash flow and faces negligible capital expenditure.

With this kind of financial muscle, Reebok is looking for acquisitions in the $300m to $1bn range, Mr Fireman says. Given the company's marketing skills, the targets could be anywhere in the "upscale leisure and lifestyle market."

Analysts were not thrilled, though, when Reebok paid $42m last year for Boston Whaler, a famous name in recreational boats. It is a highly cyclical business which is turning soft and Reebok has no experience in manufacturing. It subcontracts all its shoes and clothes.

That aside, analysts believe Reebok will benefit from its changes over the past year. They are forecasting that net profits will recover to about $1.50 a share this year and to $1.70 next year.

Fuelled by optimistic brokers' reports, Reebok's stock has climbed nearly 10 per cent over the past two months. In contrast, Nike's and L.A. Gear's have fallen some 10 and 30 per cent respectively.

But even if Reebok is again becoming the favourite among the volatile athletic shoe stocks, the company and the markets know how hard it is to keep riding the tigers of fashion and technology.

Pentland remains heavily dependent on US associate

By Alice Rawsthorn in London

THE PUMP'S success could scarcely have come at a better time for Britain's Pentland Group which, despite its attempts to diversify, still depends on its investment in Reebok as the bulk of its business.

Pentland's fortunes have waxed and waned with those of Reebok over the years. It began the 1980s as an obscure Lancashire footwear firm, but became a stock market star by the middle of the decade, thanks to its Reebok shares.

However, when Reebok faltered, so did Pentland. In 1988 Reebok's problems were responsible for a plunge in Pentland's pre-tax profits from £68m ($108.8m) to £59m.

Pentland made a series of attempts to broaden the base of its business. It staged some minor acquisitions but could not clinch the big deal needed to reduce its reliance on Reebok. The most spectacular failure was its abortive bid for Parker Pen a year ago.

Pentland has begun the 1990s with the 32 per cent holding in Reebok still providing 75 per cent of its profits. This means that the management of its biggest single source of earnings is still outside its control.

When Reebok prospers — as it did last year — Pentland prospers too.

Mr David James, an analyst at Warburg Securities in London, forecast a recovery in Pentland's pre-tax profits to £72m in 1989. The success of the Pump should add a further fillip to this year's profits.

Yet, as Pentland is aware, it is still dangerously dependent on Reebok. Last summer, it restructured its interests by the unusual means of a recommended reverse takeover by the tiny Bertram's Investment Trust.

One of the aims of the restructuring was to accelerate Pentland's expansion. It has since made one small acquisition in greetings cards.

Mr Richard Stevens, company secretary, said it was pursuing other small deals, but there was no really significant deal in sight.

In the meantime, Pentland's fortunes will still wax and wane with those of Reebok — and of the Pump.

Kingfisher uses US filings to attack Dixons

By Maggie Urry in London

KINGFISHER, the UK retail group bidding £568m ($909m) for Dixons, the electrical retailer, launched a new attack on its target yesterday, saying Dixons' published profits had disguised the group's problems.

The attack came in a circular sent to Dixons' shareholders. It was based on an analysis of the accounts of Dixons' subsidiaries and related companies, and the filing of its figures in the US. These produced figures not shown in the UK group's annual report to shareholders.

Mr Geoffrey Mulcahy, Kingfisher's chief executive, said the way Dixons reported its profits "has meant that the severity of the underlying decline in its financial performance has not been apparent."

Kingfisher argued that Dixons' profit decline in its last financial year was not just attributable to difficulties in the market for electrical goods, but to "deep-seated commercial problems" which could not be solved by the management that had caused them. Mr Mulcahy said that Dixons was "dependent on sources of profits which will be extremely difficult to sustain." He said that the 120p a share cash offer was therefore "a generous and attractive price."

Dixons replied that Kingfisher's document was "a mischievous attempt to divert shareholders from the real issues and to talk down the value of Dixons. It fails to recognise the fundamental value of the world's largest specialist retailer of consumer electronics."

Analysts do not expect Kingfisher to win Dixons at the 120p price and few shareholders have accepted so far. Dixons shares rose 1p to close at 138p.

Mr Archie Norman, Kingfisher's finance director, said Dixons' retail profits were heavily dependent on selling credit and extended warranties to customers. He said this was a valid source of income as "the icing on the cake." But he said in Dixons' case its profits were "all icing and no cake." The Kingfisher document asserted that Dixons' UK retail chains did not make a profit from sales of goods in its last financial year.

Kingfisher also said that Dixons' profits had relied on selling freeholds of shops, a source of income which could not be sustained. Mr Robert Shrager, Dixons' finance director, said that the profits from selling shops had been reinvested in a broader spread of properties which had given a better rate of return.

Lex, Page 16; Details, Page 23

Senior Paris diplomat to join Christies

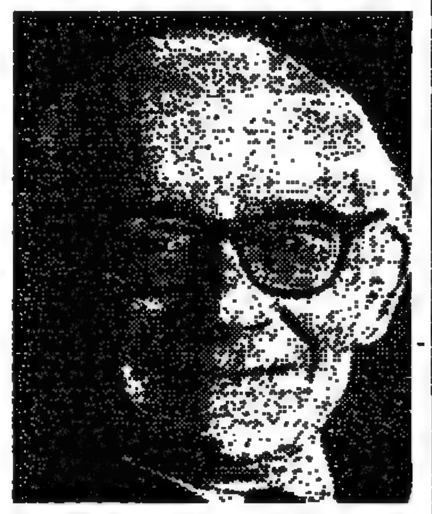
By Andrew Hill in London

A SENIOR French diplomat, Mr Emmanuel de Margerie, is to spearhead the European expansion of Christies International, the UK auction house. Mr de Margerie, 65, retired last month as France's US ambassador.

The British auction house, headed by former UK Foreign Secretary Lord Carrington, will announce Mr de Margerie's appointment this morning as chairman of Christie's Europe.

One of his principal tasks will be to persuade the French Government to allow foreign auction houses to operate in the country after deregulation in 1993. Christies has sale rooms in Geneva, Amsterdam, Rome and Monaco, but only an office in Paris.

Apart from his diplomatic background — he is one of the few people who hold the honorary title Ambassador of France —



Emmanuel de Margerie: latest in distinguished line of chairmen

Mr de Margerie was director general of the Museums of France between 1975 and 1977 and helped establish the Musée d'Orsay, which now houses the Louvre's collection of 19th century art.

When he left the US capital, a Washington Post writer said Mr de Margerie and his wife seemed to have "given or attended every black tie cultural affair since they came to the city".

Britain's T&N settles suit against bank from 1986 bid

By Clare Pearson in London

T&N, the UK engineering group, said yesterday it had reached a "satisfactory" out-of-court settlement with Hill Samuel, the merchant bank, after a three-year legal battle which followed a ground-breaking ruling by London's Takeover Panel in 1986.

Neither side would reveal the size of the payment, but it is thought likely that in court T&N would have asked for about £20m ($32m), and thus will have settled for less than this.

The settlement is of a claim for costs T&N incurred as a result of Hill Samuel's conduct of the defence for AE, another British engineering company, in a bitterly fought takeover battle.

Proceedings against Cazenove, brokers to AE, had been dropped, T&N said yesterday.

The legal wrangle — rare in the British self-regulatory system — commenced in the immediate wake of a ruling by the Takeover Panel in October 1986, which marked one of the most hard-hitting judgments it had delivered on the conduct of City institutions.

The Panel's strongly-worded attack on Hill Samuel and Cazenove was also one of the first occasions when the matter of share dealings by those involved in a takeover bid was thrown under the spotlight.

T&N won control of AE in December 1986 at the second try, after Hill Samuel and Cazenove were censured for failing to disclose indemnity agreements with third parties to buy AE shares in the closing stages of an earlier bid in September.

These purchases meant victory was snatched from T&N by a margin of about 1 per cent of the share capital.

As well as criticising AE's advisers, the Panel waived its own rules to allow T&N to bid again immediately.

When it did, it first had to defeat Mr Robert Maxwell's Hollis Group, which had stepped in as a rival bidder.

T&N, which held about 30 per cent of the shares at the time of its second offer, eventually paid £278m to acquire AE, compared with its earlier offer of £257m.

The settlement reflects the additional sum T&N had to pay to secure AE and for extra costs associated with the second bid.

T&N's next accounts will provide an indication of the size of the settlement, through changes in the amount of goodwill written-off on acquisitions.

The AE bid took place before Hill Samuel was bought by TSB Group in late 1987.

Lex, Page 16

Orkem split in chemicals reshuffle

By William Dawkins in Paris

THE LONG-awaited reshuffle of the French chemicals industry, the world's fourth largest, is all but complete.

The two government departments and management and trade unions of the four leading companies involved, have just ended four months of discussions with a formula intended to make France's FFr305bn ($52.3bn) per year turnover chemicals industry less fragmented and better able to compete on a world scale.

Some important loose ends need to be tied to complete the industry's most sweeping reorganisation since 1983, but the broad lines are very much as expected.

Orkem, formerly called CdF Chimie, the FFr25bn turnover petrochemicals, paints, inks and fertilisers group, is to be split between the two state-controlled oil companies, Elf Aquitaine and Total.

Elf gets Orkem's fertiliser and petrochemicals businesses, which, with the help of its recent acquisition of Pennwalt, the US chemicals group, boosts the oil company's annual chemicals sales from the 1988 total of FFr49.7bn to FFr75bn.

This lifts Elf from 14th to seventh in the world league of chemical producers, according to estimates by the French Industry Ministry.

The rest of Orkem, about FFr9bn of annual sales, in the higher value added sectors of inks, adhesives, paints and acrylic glass, goes to Total, which also takes over an Elf paint subsidiary, La Seignurie.

What remains to be sorted out is the position of Entreprise Minière et Chimique (EMC), which, with a turnover of FFr15bn, supplies animal feed and potash, a material used in making fertiliser, as well as producing chemicals.

The Government's hope is for a merger of part or all of EMC's chemicals activities with Elf, though it is unwilling, as in the rest of this reorganisation, to impose a centrally planned solution without the companies' consent.

Elf and EMC aim to come to an agreement by the end of March.

Also to be decided is the price Elf and Total will pay for their slices of Orkem and how this is to be funded.

The initial thinking is for Elf's parent company, fully state-owned Erap, to fund its share of the deal and later increase its 53 per cent holding in the oil company.

The main option being considered for Total is to borrow from the state FFr4bn of the estimated FFr7bn value of the Orkem assets it is inheriting.

It would issue new shares to institutional investors to raise the remaining FFr3bn.

The Government has asked several big state controlled institutions if they would be interested in taking a minority stake in Total, including Banque Nationale de Paris, Union des Assurances de Paris and GAN, another insurance group.

Officials say the financing should be in place within the first half of this year.

Exxon Chemical plans $200m expansion

By Peter Marsh

EXXON CHEMICAL, one of the world's top 12 chemicals companies, has underlined the general mood of bullishness in the industry by unveiling plans for a $200m expansion of its business in France.

Exxon plans to spend the money over the next two years at its existing large plant at Notre Dame de Gravenchon in Normandy.

The US company will boost the potential output from the complex of ethylene, an important feedstock in the chemicals business, from 315,000 tonnes a year to 400,000 tonnes a year.

At the same time it is to build a facility at the plant for making polypropylene, a fast growing form of plastic which is seeing expanding demand.

The plans, announced yesterday, may add to fears that the chemicals industry is moving into a period of overcapacity that could harm the outlook for the business after several years of strong demand and rising profits.

The new propylene facility will have a capacity of 140,000 tonnes a year and will take Exxon, already a large producer of the material in the US, into production of this plastic in Europe for the first time.

The new plastics plant will use similar technology to a 470,000 tonne-a-year polypropylene complex which Exxon runs in Baytown, Texas, and which is the world's biggest facility of this kind.

Exxon said yesterday the developments in Normandy, which have been under consideration for much of last year, will create 110 permanent jobs.

The company is already a large supplier in Europe of polyethylene, another widely used form of plastic.

Campbell Soup brings in outside president

By Roderick Oram in New York

CAMPBELL SOUP has appointed an Australian, Mr David Johnson, as president and chief executive. He is respected for his wide experience in multinational food and consumer products companies.

His reputation for turning round troubled companies will be severely tested at Campbell Soup, which is struggling to improve its performance and retain its independence.

Some members of the 120-year-old company's founding Dorrance family, who hold around 17 per cent of its stock, have said they want to sell. Other members holding more than 30 per cent say they are committed to preserving its independence. Mr Johnson is the first chief executive Campbell Soup, tightly controlled by the Dorrance family, has brought in.

"My style will be aggressive. I can't wait to start," he said yesterday. Campbell Soup's strong brand image will help him achieve his two main goals of improving its financial results and keeping it independent, he added.

Mr Johnson, 57, has headed Gerber Products, the baby food company, for the past two years. He is credited with turning round Gerber, which was hampered by poorly performing peripheral activities and a crisis of consumer confidence after broken glass was found in some jars of its food.

Bond Media may dodge collapse of Bond Corp

By Bruce Jacques in Sydney

DIRECTORS of Bond Media, the Australian broadcasting group, have raised hopes that the company may avoid being drawn into the threatened collapse of Bond Corporation Holdings, its parent.

This was one of the few positive points to emerge yesterday, in another round of inconclusive court action across Australia in the battle to save Mr Alan Bond's corporate empire from receivership.

Following a query by the Australian Stock Exchange, directors of Bond Media, one of the few offshoots of the Bond empire not suspended from trading, said the company had no loans, guarantees or similar arrangements with Bond Corporation.

"We advise that the financing arrangements entered into by Bond Media Ltd and its subsidiary companies are quite independent of its parent company, and further, the cash flow from operations insufficient to service all of the group's financing obligations," they said.

"We reconfirm that a loan of A$79m (US$62.25m)owing to Bond Corporation Holdings Ltd and/or its subsidiary companies, and as evidenced in the 1989 annual accounts of Bond Media Ltd, is outstanding. This loan is currently subordinated to repayment behind the National Bank syndicated loan facility."

Shares in Bond Media were marked up 2 cents to 13 cents following the announcement. That compares with a foreshadowed paper bid for the company worth 10 cents a share from Mr Kerry Packer, the Australian publisher.

Bond Media sought yesterday to join Bond Corporation in its action in the Victorian Supreme Court aimed at rescinding a receivership order against Bond Brewing Holdings, the group's beer subsidiary.

The order was obtained by a syndicate led by National Australia Bank on December 29.

Holders of US dollar subordinated notes in Bond Brewing also sought the right to appear in the court action, with counsel claiming they acted for 21 separate secured lenders, holding US$510m worth of notes.

Mr Peter Mitchell, a Bond director, testified that Bond Brewing had an estimated excess of assets over liabilities of A$250m. He said Bond Brewing had various loans to companies within the Bond group, but believed they were not relevant to his estimate.

A petition in Perth by the West Australian State Government Insurance Commission to appoint a provisional liquidator to Bond Corp was adjourned. Bond Corp has applied to the court for the dismissal of the petition, which alleges the company is insolvent.

Mr Bond has placed his Sydney harbourside mansion on the market at a reserve price of at least A$8m.

The 40-room home in the suburb Double Bay was previously a private hotel, but is now being used by Bond executives. Mr Bond bought the house about four years ago for around A$4m.

● A £55m bid by Allied-Lyons, the UK brewer, for the European rights to Bond's Castlemaine XXXX and Swan lagers has been put on ice with the appointment of receivers at Bond Brewing Holdings, writes Philip Rawstorne.

An Allied official confirmed yesterday that negotiations for ownership of the brands in Europe had been in progress. "But there is no signed agreement of any sort," he said.

Allied has been brewing and distributing Castlemaine in Europe, and Swan in the UK under licence since 1983, paying Bond royalties. The agreements run until 2003.

PVC producer buys Italian plastics groups

By Peter Marsh

EUROPEAN Vinyls Corporation, Europe's biggest producer of polyvinyl chloride (PVC), is buying two Italian makers of plastics films, in a move designed to boost the group's activities in packaging applications.

European Vinyls is a joint venture between Imperial Chemical Industries of Britain and Italy's Enimont, two leading chemicals groups.

Under an agreement announced yesterday, the joint venture is to buy the vinyls division of Mazzuchelli Celluloide, a leading Italian resins maker, together with Savinil, a wholly owned subsidiary.

BfG chief executive steps down

By Haig Simonian in Frankfurt

MR THOMAS Wegscheider, 56, the long-standing speaker (chief executive) of Bank für Gemeinwirtschaft (BfG), is to resign following lengthy speculation about his future.

A member of BfG's board for 18 years and its chief executive for the past 12, Mr Wegscheider has steered BfG, which used to be owned by Germany's trade union movement, through the Neue Heimat building scandal and the subsequent sale of a majority stake to the Aachener und Münchener (A&M) insurance company in 1987.

After a gradual earnings recovery, BfG once again made the news as a major lender to Co op, the big retailing chain which was rescued from the brink of bankruptcy last year.

Although Mr Wegscheider's departure is not linked to that episode – nor to the current criminal investigation into various members of Co op's board, as well as certain senior trade union figures – recent months have been very taxing as regards BfG's role in the Co op rescue and its growing links with A&M.

No details have been revealed about Mr Wegscheider's future plans, nor about his possible successor, in expectation of an announcement at the next meeting of the bank's supervisory board on January 24.

However, the name of Mr Paul Wieandt, the chief executive of Landesbank Rheinland-Pfalz, the medium-sized state central bank based in Mainz, is being widely mentioned.

● The two planned joint ventures between Asko and Metro, the large West German retailing groups, announced earlier this week suffered a setback yesterday after comments from the federal cartel office that the arrangements could run into difficulties on monopoly grounds.

According to Mr Hartwig Wangemann, a spokesman for the cartel authorities, the plan was viewed as "extremely critical."

The cartel office normally takes a restrictive view in rationalisation in the German food retailing market, where there has been a concentration of business in leading groups.

Banca del Gottardo advances to SFr41m

BANCA del Gottardo, the Swiss bank based in Lugano which is 52 per cent owned by Sumitomo Bank of Japan, increased net profits by 17 per cent to SFr41m ($26.1m) last year, writes David Lascelles.

Total assets rose by 16 per cent to SFr6.4bn and cash flow increased from SFr79m to SFr110m.

The group's two Geneva-based asset management subsidiaries, Banque de Gestion Privée and Banque Pariente, increased net profits by 35 per cent and 25 per cent respectively.

BSN takes 50% stake in Indian biscuits concern

By George Graham in Paris

BSN, the leading French foods group, is to expand into India by acquiring a stake in the biscuits empire of Mr J.M. Rajan Pillai, the Indian industrialist.

The French group will take a 50 per cent stake in Associated Biscuits International, which Mr Pillai bought last July from RJR Nabisco, at the same time that BSN itself was buying Nabisco's European biscuit operations for $2.5bn.

Associated Biscuits International, together with its shareholders, owns 43.15 per cent of Britannia Industries, one of India's leading food companies with annual sales of around $200m and a net profit margin of around 3.5 per cent.

Britannia's biscuit output of 83,000 tonnes gives it a market share of 36 per cent in India, and the company also has interests in soya processing and in cashew nuts.

At the same time, Associated Biscuits International owns 40 per cent of English Biscuit Manufacturers, the leading biscuit manufacturer in Pakistan and 100 per cent of Associated Biscuits in Malaysia.

No price was disclosed for the purchase, but BSN said Britannia would distribute its grocery and biscuit products in India and would manufacture these products, for domestic consumption and for export. BSN plans to introduce its Lu biscuit brand to India.

Talks suspended on Australian group's assets

By Our New York Staff

L.J. HOOKER, the Australian group being run by a provisional liquidator appointed by a Sydney court, has run into difficulties selling some $400m of US assets.

Its US subsidiary, operating under the protection of an American bankruptcy court, said talks on the asset sales had been suspended. It had been negotiating with LJH Funding, a group of investors led by Mr Jay Shidler and Mr Boyd Simpson, respectively Hawaiian and Georgian investors.

US reports indicate that the investors have withdrawn their offer to buy some of Hooker's shopping malls.

INTERNATIONAL COMPANIES AND FINANCE

Firms jostle for position in M&A

Japanese deregulation is causing upheaval, says Michiyo Nakamoto

The battle for mergers and acquisitions business in Japan is heating up as leading financial institutions jostle to secure their positions in an increasingly deregulated environment.

Both banks and securities companies have quickly built up big in-house M&A teams and formed alliances with specialist foreign firms to improve their knowhow.

The number of staff involved in M&A at Long-Term Credit Bank of Japan (LTCB) has risen from five a year ago to 15 this year. Sanwa Bank, one of the pioneers in the field, has almost doubled its staff in the past year to 30 in Tokyo and almost 20 in the US. Sumitomo Bank has 11 staff concentrating on domestic deals and 33 on cross-border business.

In the securities industry, Nomura Wasserstein Perella, the joint venture between Nomura Securities and the Wall Street boutique firm Wasserstein Perella has 35 full-time M&A staff, while Nikko Securities has 25 people working in Tokyo.

If all this activity seems a bit excessive considering the small number of M&A deals still being done in Japan, there is a good reason for it. The process of deregulation of Japan's financial markets is beginning to affect the hitherto cosy relations that financial institutions have enjoyed with their business clients. Unlike in the past, they can no longer count on those ties to bring in steady business but must prove their expertise in specific areas to win contracts.

For one thing, companies now enjoy a wider choice of options in meeting their funding needs and most can afford to be more discriminating about who they go to with those needs. For example the banks, which are prohibited by Japanese law from underwriting securities, have long encouraged corporate clients to use their own affiliated securities firms as underwriters. However, according to one recent report, bank-affiliated brokers are losing their share of the underwriting business.

The move to discriminate among firms is particularly strong in broking mergers and acquisitions. "Increasing M&A activity is upsetting the relationship between companies and their main bank," according to Mr Ikuo Yasuda, manager of the M&A division of LTCB.

Japanese companies generally have very strong ties with one bank, to which they have tended to direct a good proportion of their financial business. However, LTCB has handled many M&A deals for companies with which it does not have main bank relationships, according to Mr Yasuda. For example, it was the adviser to Sumitomo Rubber in its takeover of Dunlop Tire, even though Sumitomo Rubber's main bank is Sumitomo Bank.

Similarly, Sony went to Blackstone Group of the US, rather than Mitsui Bank, its main bank, for advice on purchasing CBS Records in 1987 and Columbia Pictures this year. There are enough cases to suggest that the once unquestioned order of business ties is beginning to fall apart.

Meanwhile, advising and broking M&A deals is becoming a necessary extension of the banks' traditional role of fulfilling their clients' financial needs. Providing information on M&A opportunities is becoming a key to winning new clients and new business. "Information itself has become a good business weapon," says Mr Rikio Takezawa, joint general manager of the business development department of Sanwa Bank.

Financial pressures are another big consideration. Although the prospect of winning high-interest loans in arranging an M&A deal has been the biggest incentive for the banks, the need to increase fee income is fast becoming another important consideration. With the deregulation of interest rates, banks find that their funding costs are rising rapidly and so are looking for ways of generating income without having to increase their assets. The problem with M&A is that too many banks seem to be getting into it and so fees are reportedly finely priced.

The securities companies' enthusiasm for M&A is also based on fears that customers may no longer be loyal to their brokers just for loyalty's sake. "Unless we take on the M&A business, our underwriting business will decrease," says Mr Hideo Karino, general manager of corporate development services at Nikko Securities.

Although Mr Karino admits that Nikko's M&A fee income is still insignificant, he expects this to become a significant income generator, with an increase in the number of cases handled by its partnership with Blackstone.

Deregulation has not yet affected the securities industry much, but brokers are facing demands that they reduce their very high fixed underwriting fees. Also, pressure to liberate fixed brokerage fees could intensify as more investors become aware of the disparity in cost in buying shares in Japan and elsewhere.

Foreign securities firms engaged in M&A in Japan do not admit to being threatened by the Japanese challenge.

Mr Jun Imanishi, managing director of Morgan Stanley Japan, is confident that the firm's long experience in M&A and strong worldwide network places it safely above Japanese competition. "This is not something that can be overtaken in one or two years," he says.

BANKS OUTRUN SECURITIES TEAMS

WHILE IT is early days in the mergers and acquisitions stakes in Japan, there has been enough activity to get a rough idea of which institutions are making the running.

The big banks appear to have a lead over the newcomers from the securities industry. Long-Term Credit Bank of Japan, which was chosen in a local newspaper survey as the bank most recognised for its M&A expertise, boasts having participated in 20 cross-border deals last year.

Sanwa Bank has closed 28 deals with an estimated value of $875m in 1989. Information on the performances of Sumitomo Bank and Industrial Bank of Japan, two of the other main players, was not available.

Nomura Wasserstein Perella has 20 deals to its name since it went into business in November 1988. Nikko Securities counts six deals last year in which it represented the Japanese buyer.

Of the foreign firms, Morgan Stanley, with a staff of eight in Tokyo, notched up some 20 deals estimated at a total Y4.6bn. In eight of those cases, Morgan Stanley represented the foreign seller's side.

Despite their late start, the joint ventures involving Japanese and US firms could become among the most formidable players in cross-border M&A. While on the Japanese side, the big banks and securities firms are able to make full use of their wide-ranging contacts in the country, the US side can provide the negotiating skills.

Mr Jun Imanishi of Morgan Stanley describes the strength in such a combination as being "Japanese-style mediation and US-style M&A under the same roof."

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 3

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅝ 96	750	†99⅝	100⅛	−0⅛	−0¼	8.64
Alberta 9⅞ 95	600	103¼	103⅝	0	−0¼	8.57
Austria 9⅝ 93	140	102¾	103¼	−0⅛	−0⅛	8.49
B.F.C.E. 8⅞ 94	175	†99¼	99¾	0	−0½	8.49
B.F.C.E. 9¼ 95	150	102¾	103¼	0	−0⅜	8.57
Brit. Tel. Fin. 9⅞ 98	250	103⅞	103¼	−0¼	−1¼	8.78
Canada 9 96	1000	103½	103½	−0⅛	−0⅛	8.29
C.C.C.E 9¼ 95	300	102½	103⅛	−0⅛	−0⅛	8.55
C.N.C.A 9⅞ 93	150	†101⅝	102⅛	−0⅛	−0¼	8.75
Credit National 8¼ 93	200	†99¼	99¾	0	−0⅛	8.40
Credit National 7⅞ 92	100	97⅞	97⅞	−0⅛	−0⅛	8.52
Credit National 9½ 92	160	†102⅞	102⅞	0	+0⅛	8.47
Dai-Ichi Kan 9⅝ 92	250	102⅛	102½	−0⅛	−0¼	8.63
Denmark 8¼ 94	150	†98⅛	98⅝	−0¼	−0⅜	8.67
E.E.C. 7 91	100	97¼	97¾	0	−0⅛	8.46
E.E.C. 10 93	140	†103⅞	104⅛	−0⅛	−0½	8.54
E.I.B. 8½ 99	150	99	99⅜	−0⅛	−0⅝	8.65
Eurofima 10⅛ 93	100	†104⅛	104¾	−0⅛	−0⅛	8.44
Elec.De France 9 98	200	102	102⅜	−0⅛	−0⅛	8.62
Elec. De France 9½ 99	200	*†105	105¼	0	−0⅞	8.68
Finland 9 96	250	†101½	102	0	+0⅛	8.61
Finn.Exp.Cd. 8½ 92	200	99⅝	100⅛	−0⅛	0	8.53
Finn. Exp. Cd. 9⅜ 95	200	103	103⅜	−0⅛	−0⅜	8.65
Ford Motor Credit 8 91	250	†98⅞	99⅜	0	+0⅛	8.74
Gen.Elec.Cap.Corp. 9 93	500	†101¾	102¼	0	+0⅛	8.37
Gen.Elec.Cap.Crp.10 1/2 91	300	102	102⅜	0	−0⅝	8.51
G.M.A.C. 8¾ 96	500	†98⅞	99⅜	−0⅛	−0⅛	8.97
G.M.A.C. 9 96	300	100⅛	100½	−0⅛	−0⅛	8.93
Gen.Mtrs.Corp. 9⅛ 92	200	101¼	101¾	0	0	8.40
IBM Credit Corp. 8⅝ 92	400	100⅛	100⅝	0	0	8.45
IBM Credit Corp. 8¾ 91	250	100¼	100¾	0	−0⅛	8.53
IBM Credit Corp. 9 92	250	101⅛	101⅝	0	−0⅛	8.34
IBM Credit Corp. 9½ 92	250	101½	102	−0⅛	0	8.54
Italy 8½ 94	1500	99⅝	100⅛	0	−0¼	8.52
Italy 9½ 95	1000	103⅞	104⅜	0	0	8.57
Italy 9⅝ 99	1000	†105½	106	+0⅛	−0⅛	8.68
Itoh C. W/W 4⅝ 94	1000	*†120¼	120¾	0	+5½	0.88
Japan Dev Bank 10 96	200	†106¼	106¾	−0¼	−0⅜	8.64
KFW Intl Fin 9 94	300	†101½	102	0	0	8.51
LTCB of Japan 9¼ 92	200	101⅛	101½	0	−0⅛	8.71
Nippon Tel.&Tel. 9⅞ 98	250	103¾	104¼	0	−0⅛	8.73
Norway 8¼ 93	500	100¾	101¼	0	−0⅛	8.36
Portugal 8⅞ 91	300	†98⅞	99⅜	0	0	8.98
Sumitomo Corp. W/W 4 93	1500	*†131¼	131¾	0	+4⅛	−4.12
Sweden 8⅞ 96	200	100¾	101¼	0	−0⅛	8.52
Toyota 9½ 91	200	101¼	101¾	0	−0⅛	8.56
Toyota Mtr. CorpW/W 4 93	1500	*†105¼	105¾	0	−0⅛	2.31
Victorian Rep 11⅛ 92	150	105¼	105¾	0	−0¼	8.91
World Bank 8⅛ 99	1500	†100⅛	100⅝	−0⅛	−0⅜	8.46
World Bank 9 97	300	101⅞	102⅜	−0¼	−0⅜	8.59
World Bank 9 93	300	101⅝	102	−0¼	−0⅜	8.37
World Bank 9¼ 98	300	†103¼	103¾	−0⅛	−0¼	8.66
World Bank 9⅝ 99	500	105⅛	106⅛	−0⅜	−0⅝	8.64
World Bank 9¾ 96	300	*†105⅛	105⅝	0	−1⅛	8.62

Average price change... On day 0 on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	91⅞	92⅝	0	−0¼	7.95
Austria 6¾ 99	750	†92	93	−0½	−2¼	7.91
Bk.Frgn.Econ.USSR 7 96	750	†92⅛	93⅛	−0⅜	−1¼	8.56
Bank of Tokyo 5¾ 93	100	†92¾	93¼	−0¼	−0⅛	8.36
Commerzbank o/s. 5⅞ 93	300	†93⅝	94⅛	+0⅛	+0⅝	7.73
Credit Foncier 6¾ 99	500	†92¾	92⅞	−0½	−1⅝	8.99
E.I.B. 6¼ 99	600	89½	90¼	−0⅜	−1¼	7.85
E.I.B. 6½ 99	300	†94⅝	95⅝	−0⅛	−0⅜	7.24
E.I.B. 6⅝ 96	600	94⅝	95⅜	−0⅜	−1¼	7.65
E.I.B. 6⅞ 95	300	97	97¾	−0⅝	−1¼	7.44
Euro.Coal& Steel 5⅞ 97	175	88⅞	89⅝	−0⅛	−0⅜	7.90
Eurofima 6¼ 96	100	93¼	93⅞	−0⅜	−0⅜	7.55
Elec De France 5¼ 97	300	90¼	90⅞	0	+0⅛	7.45
Hydro-Quebec 6¾ 99	300	†91½	92½	−0¼	−1	8.00
Japan Dev. Bk. 5¾ 95	300	89⅝	90⅛	−0⅛	−0⅛	7.73
Japan Finance 5¼ 97	100	87⅝	88⅜	−0¼	−0⅜	8.02
I.A.D.B. 7¼ 99	300	95¼	96	−0½	−2¼	7.91
Ireland 6½ 97	300	†91⅛	92¼	0	+0¼	7.97
Ireland 7¼ 99	500	94¾	95⅜	−0¼	−1¼	8.05
Malaysia 6¼ 94	150	†93	94	0	+0⅛	8.01
Nat. West BK. PLC 6 98	300	†87⅞	88⅜	−0¼	−0½	8.05
N.H.L. Finance 6¼ 95	200	*†90¼	90⅞	0	−0½	8.36
Nippon Telg.&Tel. 6 95	400	93⅝	94⅜	0	−0⅝	6.58
Oesters. Kontbk. 5 93	300	91¼	92½	+0⅜	+0⅜	7.98
Portugal 5¾ 92	150	94⅞	95¼	−0⅛	−0⅛	8.06
Portugal 6⅜ 95	150	93½	94⅛	0	−0½	8.02
Privatbanken 5¼ 93	150	91¼	92	−0⅛	−0⅜	8.37
Royal Insurance 5½ 92	300	†94⅛	95⅛	−0½	−0⅜	7.98
Turkey 6½ 95	500	90⅞	91⅛	+0⅛	−0⅛	8.72
Union Bk.Finland 5½ 94	200	†90	91	−0⅜	−1	8.36
World Bank 6 98	500	†87¼	88⅛	−0⅛	−1⅝	7.99
World BK. 6¼ 97	600	91⅝	92⅜	0	−0⅞	8.48
World Bank 6¾ 99	600	†91⅞	92⅜	−0½	−2	7.95

Average price change... On day −0¼, on week −0⅞

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†85	85½	+0⅛	−0¼	7.96
Asfinag 5 03	100	†82½	83	−0⅜	−0⅜	7.00
B.F.C.E. 4½ 98	200	†85	86	+0⅜	−0⅛	6.79
B.M.W. Fin. Neth. 5 13	150	†79	79½	−1¼	−4⅝	6.80
Britannia B/S. 4¼ 94	100	†87½	89	−1½	+2	7.45
CIR. Int. W/W 3 93	125	†87	87½	+0⅛	0	7.20
Credit Lyonnais 4¾ 00	100	†82	83	−0½	0	7.19
E.I.B 4⅜ 98	150	†84½	85½	+0¼	−0⅛	7.03
Finn. Exp. Cd. 8¼ 92	75	†100¼	100¾	+0⅜	−0⅛	8.01
Fletcher Chall. 4¾ 98	150	†78	80	0	0	8.51
I.A.D.B. 6 2004	200	†94¾	95	+0⅜	+0¼	6.55
Kobe City 4¾ 98	150	†84½	85½	+0¼	0	7.02
Leeds Perm. B/S. 4¼ 93	200	†88	89	+0⅜	+0¼	8.26
Malaysia 5¼ 98	100	†79	80½	+0¼	−0½	8.71
Maxwell Comm.Crp. 5 95	150	†82¼	84	−1½	+0⅛	8.98
Nat. Bk. Hungary 5½ 94	75	†88	90	+0⅜	−2	8.29
Nationwide Ang.B/S. 4 93	200	†89	89½	−0¼	0	7.65
Prov. Newfoundland 5 03	150	†81½	82	−0¼	−0⅜	7.18
Thailand 4⅞ 95	200	†81	82	−0¼	+1	9.01
World Bank 5 03	150	†84½	85	+0¼	+0¼	6.74

Average price change... On day −0¼, on week −0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99⅛	99⅜	−0⅛	−0¼	6.45
Canada 5⅝ 93	80	98	98¼	−0¼	−0⅜	6.22
Eurofima 5 1995	20	94¼	94¾	−0⅜	−0¼	6.24
E.I.B. 4⅞ 93	30	96	96¼	−0⅛	−0¼	6.26
Ireland 5⅛ 93	30	95⅝	96⅛	−0⅜	−0⅜	6.53
Norway 5⅛ 95	50	95⅝	95⅞	−0⅜	−0½	6.09
Sweden 4⅞ 93	50	95⅛	95⅜	−0⅛	−0¼	6.22
World Bank 5⅛ 98	10	94	94½	−0¼	−0¼	6.03
World Bank 7 94	20	102¼	102¾	−0⅜	−0⅝	6.31

Average price change... On day −0¼ on week −0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	96⅝	97⅛	−0⅜	−0¼	11.11
Abbey Nat. 11⅝ 93 £	100	96⅜	96⅞	−0¼	−0⅛	13.00
Aegon 7⅛ 92 Fl	100	100⅜	100⅞	0	−0¼	7.85
Alg. Bk. Ned. 5¾ 93 Fl	200	92⅝	93⅛	−0⅛	−0⅜	8.37
Austria 7½ 94 ECU	100	93⅛	93⅞	−0¼	−0½	9.38
Barclays Aus.13½ 91 A$	100	98⅞	99⅜	−0⅜	+0⅜	13.99
Belgium 8⅛ 94 Ecu	150	95⅛	95⅝	−0⅛	−0¼	9.51
Bell Canada 10⅞ 04 C$	200	101½	102	−0½	−0⅝	10.64
BP Capital 9¾ 93 £	100	92	92⅜	−0⅜	−0⅜	12.80
British Airways 10 98 £	100	89¼	89¾	−0¼	0	12.08
Brit. Telecom 9½ 93 £	150	91⅞	92⅜	−0⅜	−0¼	12.62
Comm.Bk.Aust. 12⅝ 93A$	100	†94	94½	0	+0⅜	14.82
Comm.Bk.Aus 13¼ 94 NZ$	60	103¾	104¼	+0¼	+0¼	12.43
Credit Foncier 9 96 Ecu	100	98½	99	+0⅛	0	9.24
Cr.Local France 9¼ 92Ecu	100	99	99½	−0⅛	−0⅜	9.56
Deut.Bk.Aus. 13¼ 93 A$	125	98⅛	98⅝	−0⅛	+0½	13.92
Deutsche Bk.Fin. 15 94 A$	100	103⅝	104⅛	−0⅛	+0¼	13.68
Elec.De France 9¾ 99C$	150	95¼	95¾	−0⅜	−0½	10.49
E.I.B. 7 96 LFr	100	*†94¾	94¾	0	0	8.12
E.I.B. 7⅛ 99 Fl	150	94	94⅜	−0⅛	−0⅜	8.01
E.I.B. 9 99 Ecu	150	99⅛	99⅝	0	0	9.09
Eurofima 7⅝ 94 Ecu	100	94¾	95¼	+0¼	+0⅛	9.14
Export Dv.Crp.8¾ 92Ecu	100	98¼	98¾	−0⅛	−0¼	9.46
Fed.Bus.Dv.Bk. 9 94 Ecu	100	98⅛	98⅝	0	0	9.43
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†97	97½	−0¼	−0¼	11.05
Ferv. Stato 7¾ 93 Ecu	100	93½	94	−0¼	−0½	9.96
Ford Cr.Can.10⅛ 93 C$	100	†98¾	99¼	−0¼	−0¼	11.12
Ford Cred.Can.10⅞ 96C$	125	99½	100	−0½	−0½	10.91
Ford Cred.Fund.10¾ 93£	60	94½	95	−0⅜	−0½	12.52
G.M.A.C.Canada 11 3/4 94C$	100	101⅞	102⅜	−0½	−0½	11.06
Heineken 7⅝ 94 Fl	150	99¾	100⅛	0	−0⅛	7.77
Hydro-Quebec 11 99 C$	400	101⅞	102¼	−0½	−0½	10.64
Lloyds Bank 10¼ 98 £	150	89¾	90¼	−0⅜	−0⅜	12.23
Lloyds Bank 11⅞ 98 £	100	93	93⅝	−0¼	−0½	12.65
Montreal Tst.10¼ 93 C$	100	†97⅞	98⅜	−0½	−0⅝	11.37
Nat. Aus. Bk. 14¾ 94A$	100	99⅞	100⅜	−0⅛	+0¼	14.67
New Zealand 9½ 93 £	100	91⅝	91¾	−0⅜	−0⅜	12.70
O.E.K.B. 10¼ 99 C$	150	98¼	98⅝	−0½	−0⅜	10.51
Royal Bk.Scot.10⅝ 98 £	125	91⅞	92⅜	−0⅜	−0⅜	12.22
Saskatchewan 10¼ 93 C$	200	97¾	98¼	−0¼	−0⅝	10.89
State Bk.NSW. 13⅞ 93A$	100	98	98½	−0¼	+0⅜	14.47
Sweden 7½ 93 Ecu	250	94½	95	+0⅛	+0⅛	9.16
Sweden 15 94 A$	100	103⅛	103⅝	0	+0¼	13.83
Toyota Mtr.Cr.10⅜ 94C$	150	98	98⅜	−0⅜	−0⅝	10.82
Toyota Mtr.Cr.11⅜ 92C$	150	100¼	100¾	−0¼	−0⅜	11.05
World Bank 7⅛ 99 Fl	300	94⅛	94⅝	0	−0⅝	7.99
World Bank 10⅞ 94 £	200	95¼	95⅞	−0⅛	−0¼	12.12
World Bank 13⅝ 92 A$	100	102⅝	103	0	0	12.03
World Bank 14⅞ 94 A$	75	102	102½	0	+0⅜	13.50
Zentrspk. 13¼ 93 A$	75	†97⅛	97⅝	−0½	−0¼	14.14

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.90	99.95	24/01	15.21
Bank of Greece 99 US	0¼	99.51	99.61	8/03	9¼
Belgium 91 US	0	100.11	100.21	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.83	99.88	28/02	15.31
Credit Foncier 98 US	.063	99.92	100.02	20/04	8.31
Dresdner Finance 99 DM	.031	100.07	100.17	28/01	8.16
EEC 3 92 DM	0	100.15	100.25	22/02	6¾
Halifax BS 94 £	.1	100.08	100.13	9/02	15.16
Invt. in Industry 94 £	0¼	99.96	100.06	17/01	15.19
Leeds Perm. B/S. 94 £	0¼	100.07	100.12	15/01	15.37
Milk Mkt. Brd. 5 93 £	0⅛	99.93	99.98	29/03	15¼
New Zealand 5 97 £	.07	100.01	100.11	22/02	15¼
Northern Rock 92 £	0½	99.86	99.91	20/01	5¼
State Bk. New. 98 US	.188	100.03	100.12	11/02	8.81
Woolwich Equit.BS. 93 £	0⅛	99.52	99.60	15/01	15.37
Woolwich 5 95 £	0⅛	99.96	100.01	22/02	15.31

Average price change... On day +0.00 on week −0.08

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62	122½	123½	+1¼	0.83
Amer. Brands 7¼ 02 US	†9/87	56.7	—	—	—	—
CBS. Inc. 5 02 US	4/87	200	98⅛	99⅝	+0½	6.16
Dai-Ichi Kan. 3⅞ 04 US	*†7/89	3486	97	98	0	8.78
Primerica 5½ 02 US	†4/87	66.75	74½	75½	+0½	70.40
Eng.China Clay 6½ 03 £	9/88	4.8	95¼	96¼	+0¼	1.46
Fujitsu 3 99 US	*†5/84	1106	213	214	0	−0.56
Ladbroke 5¼ 04 £	†6/89	7.1	105½	106½	+0⅛	121.35
Land Secs. 6¾ 02 £	6/87	6.72	90⅞	91⅞	+0¼	15.20
Minolta Camera 2¼ 94 DM	†2/86	1004	104⅝	105⅝	−0⅝	5.38
MCA Inc 5¼ 02 US	†9/87	69.62	102½	103½	+1	11.83
Mitsubishi Bk. 3¼ 04 US	*†5/89	3266	96⅛	97⅛	0	2.89
Next Plc 5¾ 03 £	11/87	4.3	96¼	97¼	0	383.12
[illegible] 03 US	*†4/88	804	156½	157½	0	−1.38
[illegible] 04 US	10/89	28	105¼	106¼	+0⅛	13.88
Omron Tateisi 2⅝ 02 US	*†4/87	1310	295	296	0	0.82
Ranks Hovis 4⅜ 03 £	†1/88	3.5	121	122	+0¼	0.77
Redland 7¼ 02 £	1/87	5.4	110	111	+1¼	2.70
Saatchi&Saatchi 6¾ 03 £	†10/89	4.42	88	89	+0⅛	48.96
Silicon Graphics 8 04 US	6/89	23.18	128	129	−0⅛	2.71
Sumitomo Bank 3¼ 04 US	*†2/89	3897	87	88	0	3.72
Texas Inst. 2¾ 02 US	9/87	82.87	78⅛	79⅛	+0⅛	72.02
Utd.N'papers 8 03 £	10/89	8.77	120⅛	121⅛	+0¼	127.57
W.R. Grace 6½ 02 US	9/87	42.12	95⅛	96⅛	+1⅛	20.83

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL APPOINTMENTS

New chief executive at Skopbank

AT SKOPBANK, the Finnish savings bank group, Mr Christopher Wegelius, managing director, has been appointed chief general manager and chairman of the board of managers. He has also become chairman of the Finnish Savings Bank Association.

Mr Wegelius, who has helped to elevate Skopbank into one of the country's most innovative and aggressive financial operators, succeeds Mr Matti Ali-Melkkilä, who died last month.

Mr Kalevi Kauniskangas, deputy managing director of Skopbank, has been made vice chairman of its board of managers. He will continue as the FSBA's managing director.

These elections were made in November 1988 but were not due to take effect until April 1990 when Mr Ali-Melkkilä would have retired.

* * *

ONE OF America's leading experts in the field of financial services deregulation rejoined on January 1 Shearman & Sterling, a leading international law firm with more than 550 lawyers worldwide.

He is Mr Hans Angermueller, 65, a vice chairman of Citicorp and Citibank N.A. until his retirement two months ago, who is now 'Of Counsel' to Shearman & Sterling.

Mr Angermueller was a partner at the law firm before joining Citicorp in 1973 as senior vice president and general counsel. He is a supervisory board member of Munich Reinsurance and chairman of the board of directors of Munich American.

* * *

PHILIP MORRIS, the US tobacco and food group, named Mr Michael A. Miles chairman and chief executive officer of its Kraft General Foods unit, and he was also elected vice chairman of the group.

He succeeds Mr John Richman, who announced three months ago his intention to retire at the end of 1989.

Mr Miles, previously president and chief operating officer at the Kraft unit, has been serving as Kraft chief executive since the retirement news.

* * *

AMER, the Finnish consumer products group, has appointed Mr Olli Laiho, formerly executive vice president, as president and chief operating officer from January 1.

Mr Laiho, who joined Amer in 1980, is an active golfer. He has won several Finnish gymnastics championships, and is a silver medalist of the Olympic Games held in Mexico.

* * *

THE Long-Term Credit Bank of Japan (Europe), Brussels, has appointed Mr Masanori Mochizuki director and deputy general manager.

INTERNATIONAL CAPITAL MARKETS

Wood Gundy to acquire Merrill Lynch retail unit

By Bernard Simon in Toronto

WOOD GUNDY, the Canadian securities dealer, will expand its retail sales business by more than 50 per cent with the proposed acquisition of Merrill Lynch Canada's retail arm.

The deal includes Merrill's 264 registered brokers as well as 20 offices across Canada. Financial terms of the transaction have not been disclosed.

Merrill's Canadian operations have been in turmoil for some time. It ascribed the sale in part to worldwide restructuring by its New York-based parent.

The firm is apparently keen to withdraw from the Canadian retail market after failing to persuade the federal government in Ottawa to grant it a full banking licence. Merrill had hoped to offer a full private banking and brokerage service to its clients.

Wood Gundy, which currently has 385 retail brokers, said the acquisition would give it the critical mass needed to introduce new services and products. Its sales force will now be roughly on a par with RBC Dominion Securities, Canada's biggest securities firm.

Wood Gundy plans to boost its retail business through closer links with Canadian Imperial Bank of Commerce, its largest shareholder. CIBC, Canada's second biggest bank, bought a 65 per cent stake two years ago and since then has placed several of its senior executives in the top ranks of the securities firm.

Last autumn Wood Gundy opened its first retail outlet in a CIBC branch in Sault Ste Marie, Ontario, in a move that reflects the general blurring of lines between different types of financial institutions.

CIBC has 1,487 branches and the securities firm plans to use this extensive network to distribute its services more actively.

Wood Gundy employs 1,900 people, 300 of them outside Canada. It was Canada's leading underwriter of Canadian corporate and government issues in 1988.

At the end of that year its capital stood at C$221m (US$190m), compared with C$73m for Merrill Lynch.

● The Montreal Exchange, Canada's second largest stock exchange, inched ahead in its share of stock trading in 1989, writes Robert Gibbens in Montreal.

In terms of the value of shares traded, the Montreal Exchange won 19.5 per cent of the combined Toronto-Montreal share trading volume, up from 18.1 per cent in 1988.

In number of shares traded, the exchange took 20.07 per cent of the combined total, up from 18.93 per cent in 1988.

Assurers hit at Canadian curbs on ownership

By Bernard Simon

BRITISH and other European life assurers are pressing the Canadian Government to relax foreign ownership rules which restrict their ability to expand in the Canadian market.

The companies' complaint, which has become an irritant in commercial relations between Britain and Canada, stems from a provision in Canada's insurance legislation that bars foreign investors from acquiring a stake of more than 25 per cent in a Canadian life assurer or a trust and loan company.

There is a 10 per cent limit on any single foreign shareholder.

The restriction does not apply to the formation of new businesses or to the acquisition of assets already owned by foreigners.

European protests are supported by the Canadian insurance industry, which fears that restrictions on foreign institutions in Canada may be matched by curbs on leading Canadian insurers in Europe.

A senior Finance Department official in Ottawa said yesterday that the issue had been examined but that the Government was giving priority to a long-delayed package of reforms for the domestic financial services industry.

The ownership issue has become more pressing as deregulation of the Canadian financial services industry leads to greater cross-ownership of financial institutions.

Several Canadian life assurers, for instance, now own trust companies. At the same time, strong competition in the insurance business has raised the prospect of some locally-owned companies being put up for sale.

The Europeans are especially annoyed that US-owned life assurers are exempt from the so-called 10/25 ownership rule in terms of the US-Canada free trade agreement.

Of the 170 life assurers active in Canada, 10 are British-owned, 12 are European and 68 American. The British subsidiaries account for 3.6 per cent of the roughly C$1bn (US$862m) in life policies owned by Canadians.

House sales data hit Treasuries

By Karen Zagor in New York and Deborah Hargreaves in London

US TREASURY bonds continued to dip yesterday morning in the wake of further signs that the US economy is stronger than market bulls had expected.

The sharpest decline was at the long end of the yield curve,

GOVERNMENT BONDS

where the Treasury's benchmark 30-year bond was down ¼ point, compared with a ⅛ point decline in the two-year bond.

The yield on the long bond passed the 8 per cent mark for the first time since October 18, reaching 8.03 per cent, while the two-year issue had a yield of 7.90 per cent.

The Federal Reserve arranged two-day system repurchase agreements when Fed funds were trading at 8⅝ per cent. The operation was widely expected, with Fed funds trading above the Federal Reserve's perceived target of 8¼ per cent.

The debt market was hit yesterday by the second piece of bad economic news this year, when stronger than expected single-family home sales fuelled arguments that a recession is not on the horizon.

The market had expected single-family home sales to rise no more than 2.5 per cent to an annual rate of 665,00 units, but the actual increase was 9.6 per cent to 710,000 units.

The dollar was mixed yesterday morning in quiet trading. At mid-session the US currency was quoted at Y145.65 and DM1.7210, below earlier Tokyo highs of Y146.85 and DM1.7253, but above lows in London of Y145.20 and DM1.7107.

The debt market is now waiting for the release of tomorrow's employment figures, which are expected to show an increase in non-farm payrolls of about 215,000.

■ A GENERAL unease spread through the European bond markets yesterday as West German bunds and UK gilts drifted downwards as the market remained in a thin post-holiday mood.

The benchmark 9 per cent UK gilt dropped by almost ½ point to trade at 93$\frac{15}{32}$ with a yield of 9.76 per cent.

The gilts market had an eye on Tuesday's Eurosterling issues as they continued to be absorbed into the market. Hedging associated with the issues and an expectation of more supply continued to affect gilts trading in the morning, but later concerns centred around a weaker US Treasury bond market.

A slightly stronger pound gave a small boost to the gilts market but not enough to stop prices closing down on the day. The Bank of England's trade-weighted index showed sterling up at 87.0 from its previous close of 86.8.

German bunds saw a 40 to 50 pfennig drop as retail investors remained reluctant to enter the market.

Bund futures at Liffe saw an extremely busy day with volume surpassing 50,000 lots as the cash market remained depressed.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	103-22	-2/32	11.85	11.73	12.04
		9.750	1/98	95-04	-6/32	10.67	10.60	10.98
		9.000	10/08	93-15	-14/32	9.76	9.69	10.01
US TREASURY *		7.875	11/99	99-12	-6/32	7.97	7.92	7.83
		8.125	8/19	101-02	-12/32	8.03	7.97	7.89
JAPAN	No 111	4.800	6/99	94.0041	-0.343	5.78	5.70	5.37
	No 2	5.700	3/07	99.8265	-0.521	5.72	5.66	5.51
GERMANY		7.000	9/99	95.9900	-0.330	7.59	7.27	7.25
FRANCE	BTAN	8.000	10/94	91.6718	-0.203	10.27	9.97	9.56
	OAT	8.125	5/99	91.3000	-0.300	9.55	9.33	9.05
CANADA *		9.250	12/99	97.2750	-0.725	9.69	9.60	9.68
NETHERLANDS		7.250	7/99	94.1300	-0.540	8.15	7.83	7.74
AUSTRALIA		12.000	7/99	94.8116	-0.206	12.96	12.85	13.07

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

February launch for new LTOM index option

By Deborah Hargreaves

THE London Traded Options Market is to introduce a new FT-SE 100 index option in February, to build on the success of its existing index options. The new instrument will be called the Euro-FTSE and will have four expiry dates, at three-month intervals.

The Euro-FTSE will be a European-style option, which means it can only be exercised at the end of its life. The LTOM's existing instruments are all based on the US model whereby the buyer has the right to exercise at any time during the life of an option.

The instrument should be attractive to writers of options who will not have to face the risk of early assignment. Its premiums should, in theory, be lower than those of the existing FT-SE 100 index option.

LTOM's FT-SE 100 index option has grown into the exchange's most popular instrument. It currently accounts for about 25 per cent of the exchange's total options turnover, with a volume last year of 2.4m contracts.

Eurodollar futures boost CME growth

By Deborah Hargreaves

GROWTH at the Chicago Mercantile Exchange (CME) outpaced that of the Chicago Board of Trade (CBOT), its long-established rival, last year when trading volume rose 34 per cent to 104.7m contracts.

The CBOT saw a slight decline in turnover, with volume dropping 3 per cent to 138m contracts from a record high of 143m lots.

Volume at the CME was pushed over the 100m mark for the first time largely by the phenomenal growth in its Eurodollar futures contract. Activity in Eurodollars soared 88 per cent to 40.8m lots as short-term interest rates around the world fluctuated wildly.

While interest-rate volatility boosted CME volume, stability at the longer end of the yield curve kept the CBOT's turnover in Treasury bond futures flat. Bond futures volume at 70.3m lots was virtually unchanged from 1988's level.

The bond futures contract is the CBOT's driving force and the flat volume depressed overall exchange turnover. This was also affected by a drop in trading in the exchange's agricultural futures complex, which broke records in the crippling US drought of 1988.

Activity in agricultural futures and options dropped by about 18 per cent to 35.4m lots. Similarly, volume in the CME's agricultural area fell by 15 per cent.

Officials at the CBOT are rejecting any association between the huge FBI probe into futures trading and the drop-off in volume at the exchange; the CME's yen futures contract, where many traders were indicted, saw a 21 per cent rise in volume to 7.8m contracts.

Overall, activity in the CME's currency futures complex was up by about 20 per cent at 35.1m lots.

Last year's decline in activity at the CBOT was the first time volume has dropped since 1981. However, the exchange remains optimistic.

Dealers braced for water issues

By Stephen Fidler and Deborah Hargreaves

THE STERLING sector of the international bond market was bracing itself yesterday for more new supply after Tuesday's three Eurosterling issues.

Market conditions permitting, the first of the long-expected long-term sterling issues for the newly privatised UK water companies is expected today. Severn-Trent Water is expected to be the first to surface, with a 20- to 25-year issue through Barings.

Others are said to be waiting in the wings; Thames has named Credit Suisse First Boston as a likely lead manager and Anglia is also rumoured to be planning an issue.

In an assessment published yesterday, Mr Tony Smith,

INTERNATIONAL BONDS

head of sterling bonds at Barclays de Zoete Wedd, said the novelty of the first new issues might mean they would come to market at finer pricings than subsequent issues. He advised investors to take an underweight position in the early issues "particularly as there is likely to be no shortage of alternative borrowers."

UBS Phillips & Drew issued an Ecu125m bond for IBM International Finance Corp which the company swapped into floating-rate French francs. The bond was a 9¾ per cent 1995 issue, priced at 101⅞.

In spite of Phillips & Drew's overall enthusiasm about the Ecu market this year, the IBM issue ended its trading day just outside fees at 1⅞. The issue dropped to less 1.90 to 1.85 bid as buyers remained reluctant.

Although the deal, with a spread over the theoretical of some 30 basis points, was considered to be fairly priced, it did not receive a hearty welcome in a thin market.

An A$75m deal by Westpac Banking for Ford Credit Australia was trading fairly well yesterday afternoon. The issue at 14¾ per cent, maturing in February 1994, was priced at 102 and was trading just inside fees of 1⅞ per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
ECUs						
IBM International Fin.(a)◆	125	9¾	101⅞	1995	1⅞/1¼	UBS Phillips & Drew
AUSTRALIAN DOLLARS						
Ford Credit Australia(a)◆	75	14¾	102	1994	1⅞/1⅛	Westpac Banking

◆Final terms. a) Non-callable.

Lane resigns as president of Shearson

MR JEFFREY LANE, president of Shearson Lehman Hutton, has resigned a month after a management shake-up reduced his duties, Agencies report.

Mr Lane had been number two to Mr Peter Cohen, Shearson's chairman, and had been the firm's chief operating officer since 1984. Shearson said it had not yet made any comment on a successor.

The firm, which is 61 per cent owned by American Express, underwent a management shake-up last month in which Mr Richard S. Fuld was named president of Shearson's capital markets group and given wide responsibility for the firm's operations and support functions.

A friend of Mr Cohen since the two met in a Columbia Business School class in 1968, Mr Lane ran the day-to-day operations of a firm that ballooned to 38,500 employees by snapping up ailing E.F. Hutton & Co.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Wed Jan 3 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Jan 2 Index No.	Fri Dec 29 Index No.	Thu Dec 28 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (202)	958.40	+2.4	11.91	4.46	10.24	0.00	936.03	927.39	927.39	783.37
2	Building Materials (27)	1188.21	+2.3	13.25	4.76	9.41	0.00	1161.14	1142.39	1142.39	949.76
3	Contracting, Construction (36)	1602.20	+1.8	15.79	4.92	8.31	0.00	1574.40	1551.82	1551.82	1474.77
4	Electricals (10)	2737.19	+1.9	9.87	4.54	12.74	0.00	2686.60	2664.89	2664.89	2306.44
5	Electronics (30)	2024.97	+4.2	9.02	3.61	14.25	0.00	1944.04	1930.96	1930.96	1801.43
6	Engineering-Aerospace (8)	495.33	+1.5	12.14	4.45	10.17	0.00	488.22	486.00	0.00	0.00
7	Engineering-General (44)	499.42	+2.1	11.26	4.70	10.71	0.00	489.03	486.00	0.00	0.00
8	Metals and Metal Forming (6)	502.25	+3.6	23.48	5.99	4.81	0.00	485.01	478.70	478.70	455.21
9	Motors (16)	401.51	+2.2	13.25	5.25	8.85	0.00	392.98	386.31	386.31	261.14
10	Other Industrial Materials (25)	1774.64	+1.7	9.46	4.05	12.28	0.00	1745.78	1738.28	1738.28	1326.82
21	CONSUMER GROUP (180)	1357.03	+1.4	8.38	3.50	14.92	0.00	1337.82	1331.80	1331.80	1022.07
22	Brewers and Distillers (22)	1556.79	....	9.20	3.38	13.50	0.00	1556.75	1546.20	1546.20	1112.94
25	Food Manufacturing (19)	1184.41	+0.8	9.17	3.73	13.54	0.00	1174.98	1173.45	1173.45	938.71
26	Food Retailing (16)	2341.88	+1.3	8.77	3.23	14.79	0.00	2312.81	2315.06	2315.06	1798.28
27	Health and Household (13)	2778.35	+1.5	5.64	2.35	21.13	0.00	2738.26	2722.96	2722.96	1789.08
29	Leisure (34)	1695.59	+1.3	7.89	3.49	15.62	0.00	1673.12	1671.48	1671.48	1347.53
31	Packaging & Paper (15)	576.42	+2.5	11.57	5.01	10.87	0.00	562.40	557.55	557.55	527.28
32	Publishing & Printing (17)	3812.43	+0.9	8.25	4.60	15.65	0.00	3778.37	3782.54	3782.54	3236.76
34	Stores (31)	844.66	+4.0	10.40	4.43	12.52	0.00	811.79	802.39	802.39	684.20
35	Textiles (13)	546.29	+2.4	10.58	5.48	11.46	0.00	533.40	529.97	529.97	466.19
40	OTHER GROUPS (103)	1233.52	+1.6	10.38	4.43	11.54	0.00	1214.04	1204.08	1204.08	908.28
41	Agencies (16)	1582.34	+1.0	6.68	2.29	18.38	0.00	1566.24	1564.46	1564.46	1043.07
42	Chemicals (22)	1277.56	+2.0	11.87	5.04	9.93	0.00	1252.32	1242.60	1242.60	1036.05
43	Conglomerates (14)	1710.25	+3.2	10.61	5.11	11.03	0.00	1657.42	1637.07	1637.07	1264.29
44	Transport (13)	2432.07	+2.2	9.95	3.95	12.80	0.00	2378.87	2342.98	2342.98	1836.25
46	Telephone Networks (2)	1290.72	+1.0	9.84	3.97	13.22	0.00	1277.38	1264.84	1264.84	1006.10
47	Water (10)	2012.77	+1.4	17.31	6.73	6.40	0.00	1985.65	1968.45	0.00	0.00
48	Miscellaneous (26)	1981.35	+0.5	8.94	4.18	12.62	0.00	1971.24	1968.45	1968.45	1188.48
49	INDUSTRIAL GROUP (485)	1234.94	+1.7	9.88	4.02	12.39	0.00	1213.99	1205.72	1205.72	941.74
51	Oil & Gas (15)	2474.96	....	8.74	4.63	15.12	0.00	2475.71	2464.61	2464.61	1728.36
59	500 SHARE INDEX (500)	1338.65	+1.5	9.72	4.11	12.71	0.00	1319.17	1310.62	1310.62	1008.56
61	FINANCIAL GROUP (116)	869.67	+0.5	–	4.86	–	0.00	865.68	866.85	866.85	674.84
62	Banks (9)	901.53	+0.8	19.11	5.58	6.88	0.00	894.20	892.48	892.48	661.95
65	Insurance (Life) (7)	1484.67	+1.6	–	4.47	–	0.00	1461.98	1463.80	1463.80	938.35
66	Insurance (Composite) (7)	750.99	-1.6	–	5.83	–	0.00	763.09	768.11	768.11	532.95
67	Insurance (Brokers) (6)	1192.36	+1.3	6.23	5.29	21.37	0.00	1176.65	1187.21	1187.21	923.72
68	Merchant Banks (10)	491.91	+1.6	–	3.52	–	0.00	484.38	483.49	483.49	318.65
69	Property (49)	1231.81	+0.3	7.45	3.48	16.99	0.00	1227.61	1233.07	1233.07	1206.76
70	Other Financial (28)	346.00	+1.1	12.19	6.89	10.76	0.00	342.26	340.64	340.64	344.49
71	Investment Trusts (68)	1320.43	+1.4	–	2.74	–	0.00	1301.76	1296.98	1296.98	923.72
91	Overseas Traders (5)	1614.04	+0.8	8.56	4.91	13.44	0.00	1601.26	1604.27	1604.27	1275.45
99	ALL-SHARE INDEX (589)	1226.83	+1.3	–	4.18	–	0.00	1210.92	1204.70	1204.70	926.49

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 2	Dec 29	Dec 28	Dec 27	Dec 22	Year ago
FT-SE 100 SHARE INDEX‡	2463.7	+29.6	2466.2	2445.8	2434.1	2422.7	2398.8	2395.8	2362.8	1793.0

FIXED INTEREST

	PRICE INDICES	Wed Jan 3	Day's change %	Tue Jan 2	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	116.71	+0.01	116.69	–	0.00
2	5-15 years	129.62	-0.14	129.80	–	0.00
3	Over 15 years	139.31	-0.24	139.65	–	0.00
4	Irredeemables	157.88	-0.06	157.98	–	0.00
5	All stocks	127.96	-0.10	128.09	–	0.00
	Index-Linked					
6	Up to 5 years	141.54	....	141.53	–	0.00
7	Over 5 years	140.94	....	140.94	–	0.00
8	All stocks	140.86	....	140.86	–	0.00
9	Debentures & Loans	106.64	-0.02	106.66	–	0.00
10	Preference	84.60	+0.45	84.22	–	0.00

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jan 3	Tue Jan 2	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.21	10.21	9.48
2		15 years	9.62	9.60	9.14
3		25 years	9.56	9.54	9.05
4	Medium Coupons	5 years	11.12	11.10	10.63
5		15 years	10.07	10.04	9.72
6		25 years	9.73	9.70	9.29
7	High Coupons	5 years	11.27	11.25	10.88
8		15 years	10.26	10.23	9.87
9		25 years	9.84	9.81	9.26
10	Irredeemables	†	9.67	9.66	9.05
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.84	3.83	3.87
12	Inflation rate 5%	Over 5 yrs.	3.61	3.61	3.79
13	Inflation rate 10%	Up to 5 yrs.	2.96	2.95	2.66
14	Inflation rate 10%	Over 5 yrs.	3.44	3.44	3.62
15	Debs & Loans	5 years	13.78	13.56	11.56
16		15 years	12.56	12.50	11.26
17		25 years	12.04	11.99	10.96
18	Preference	††	10.91	10.92	10.41

‡Opening index 2451.3; 10 am 2457.2; 11 am 2461.2; Noon 2463.4; 1 pm 2462.8; 2 pm 2462.8; 3 pm 2461.0; 3.30 pm 2457.9; 4 pm 2463.7
(a) 11.40am (b) 9.19am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	63	25
Corporations, Dominion and Foreign Bonds	2	11	27
Industrials	758	160	684
Financial and Properties	352	58	282
Oils	35	16	43
Plantations	1	1	8
Mines	40	30	90
Others	127	46	74
Totals	1,329	385	1,233

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	–	101	98	Abtrust New Thai Inv.	100	-1	–	–	–	–
5	F.P.	–	61	45	Do. Warrants	61	+6	–	–	–	–
$75	F.P.	–	86	81	‡Air London 5p	86		R2.25	2.5	3.5	13.1
†	F.P.	–	30	26	*Analysis Hldgs. 20p	26	-2	–	–	–	–
240	100	–	171½	100	Anglian Water	167½	+½	R15.3	2.3	6.6	7.5
†	F.P.	–	98	53	Anglo-Park Grp. 35p	86	-4	5.0	3.0	7.8	4.8
$100	F.P.	–	100	96	Anglo Scand. Inv. Units	97	+1	N3.38	–	4.6	–
5	F.P.	–	29	26	Do. Warrants	28	-1	–	–	–	–
$142	F.P.	–	150	145	‡Barris Hldgs 10p	148		R5.5	2.7	5.0	9.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89.65	£30	–	30½	29½	Brixton Ests. 10½pc 1st Mtg Db 2012	30½	+1⅛
100p	F.P.	22/12	115p	97p	Caird Grp. 7p Cm. Cv. Pf. 2009 10p	115p	+8
999.68	F.P.	–	100½	97½	Foreign & Col. 11¼pc Db. 2014 £100	100½	+1¼
§	£50	–	56	53	Grosvenor Dev. Cap. 7½pc Uns.Ln.1999	53	
100p	F.P.	–	106p	93p	MB Grp. 7.25p Cv. Cm. Rd. Pf. 15p	106p	+5
100	F.P.	–	100	97	Omnitech 12pc Cv.Uns.Ln 2000	97	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -
2	Nil	30/1	1pm	½pm	*Amerocour Energy 0.1p	1pm	+½
50	Nil	–	1½pm	1pm	*Andaman Resources 10p	1pm	
10	Nil	5/1	4pm	1½pm	Benson Group	2pm	+½
290	Nil	–	62pm	41pm	Fisons	55pm	-1
112	Nil	–	86pm	65pm	Power Corpn. Ir10p	86pm	+5
10	Nil	8/1	3pm	1½pm	Willaire Group 2p	2pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast, annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Dec 18
- Last Dealings Jan 5
- Last Declarations Mar 22
- For settlement Apr 2

For rate indications see end of London Share Service

Calls in Amstrad, Conroy Pet. & Nat. Res., Stanley Miller, Wiggins, Brit. & Commonwealth, Tuskar Res., P & O warrants.

LONDON TRADED OPTIONS

THE STOCK market's climb to an all-time high, combined with brisk equity business, gave London's derivatives markets one of their busiest days of the last month. Investors' bullishness towards the stock market found an echo in the options market, where call buying was the dominant theme of the day's trading. The FT-SE 100 index was the busiest option, though five stocks traded more than 2,000 contracts, indicating the broad base of yesterday's rally.

Total market turnover amounted to 44,560 contracts, of which 29,839 were calls and 14,721 puts. Yesterday's total compared with 17,940 on Tuesday. Dealers said institutional investors had not been big buyers of stock or options, though some were said to have purchased longer-dated FT-SE calls options. Despite the increase in business, the size of FT-SE trades were not large, which might indicate a degree of caution about the speed of the market's rally, they said.

The FT-SE traded 8,629 lots, of which 3,537 were calls and 4,732 puts. The January 2,450 call was the busiest series, trading 674 contracts. Of the larger trades, James Capel sold 300 of January 2,300 puts at 9p, while Citicorp was a seller of the March 2,100 puts at 8½p.

Of the stock options, British Steel was the busiest, trading 2,574 contracts. This was divided between 1,361 calls and 1,213 puts. The January 145 call was the most active, turning over 661. The larger trades included a sale of 1,100 January 145 calls at 3p by a UK house.

Thames Water was the second busiest stock option, trading 2,443 contracts, of which 2,334 were calls and 109 puts. The March 160 call was the busiest and traded 1,071. Ackroyd bought 1,000 March 160 calls at 15½p and sold 500 of the March 140 call at 30p.

BP featured, and trading was also weighted towards calls. The turnover amounted to 2,237 contracts, of which 1,464 were calls and 773 puts. The April 280 put was the busiest, trading 600.

Option	CALLS	PUTS
[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Consumer and commercial lending offset slump in property

FNFC picks up for 4% growth

By John Thornhill

FIRST NATIONAL Finance Corporation recorded a 4 per cent advance in pre-tax profits from £68.71m to £71.57m in the year to October 31 in the face of tough trading conditions.

The company, whose interests span property, consumer and commercial credit, and insurance broking, recorded an improved performance in the second half compared with the first, but that was still 4 per cent down on the corresponding period.

Mr Richard Langdon, chairman, said: "When the Chancellor of the Exchequer made credit more expensive we were clearly swimming against the tide and in those circumstances to report an increased profit is good."

The consumer credit division held up reasonably well and taxable profits advanced to £48.75m (£46.06m). Mr Tom Wrigley, chief executive, said the division had continued to increase market share although gross margins had been under pressure. However, he added that overhead costs were now spread over a larger business base helping to sustain net profit margins.

Mr Wrigley said the market for first mortgages had been depressed as a result of the economic squeeze but that lending for home improvements and second mortgages had accounted for the growth in the consumer credit division. Although the turnover of house sales had fallen, people were spending more on improving their homes. "It was the year of the conservatory," Mr Wrigley said.

The commercial lending division demonstrated steady growth, improving pre-tax profits from £11.61m to £15.78m. FNFC lends mainly to small and medium sized businesses including many involved in the health field such as nursing homes and sheltered housing.

The property division was the major casualty of the straightened economy and saw a slump in its pre-tax profits to £11.68m (£14.58m). The company said it foresaw a continuing quiet period in that division until interest rates were on a firm downward trend.

Barnett Devanney, a small insurance broker bought in November 1988, chipped in £315,000 at the pre-tax level.

Ashley Ashwood

Tom Wrigley, chief executive, (left) and Richard Langdon, chairman

Earning assets currently amount to £1.6bn compared to £1.3bn at the end of last year.

Higher interest costs of £4.96m (£3.54m) and a bigger tax charge of £20.02m (£16.55m) resulted in a slight fall in earnings per share to 30.6p (31.1p). But the final dividend of 8.5p lifts the total by 13 per cent to 13p (11.5p).

Mr Langdon said he expected further profits growth in 1990, but not at the same rate as in the 1980s. "If you projected those rates of growth to the end of the 1990s then we would end up owning the British economy," he said.

See Lex

Water companies' shares rise to new heights

By Andrew Hill

SHARES IN the newly-privatised water companies yesterday followed the lead of the FT-SE 100 share index and rose to new heights.

There was particularly heavy business in Severn Trent shares – which rose from 144½p to 151p – helped by the announcement of an engineering joint venture.

Trading was also strong in Northumbrian Water Group, which reached a high of 181p, up 4p, against the offer price for all water shares of 100p.

The package units – a weighted combination of 1,000 water shares drawn from all 10 companies – increased from £1,615 to £1,650, also a peak, compared with the December 12 offer price of £1,000.

Interest was again fuelled by rumours of stake-building by Compagnie Générale des Eaux, France's largest water supplier. Générale has yet to announce any stakes in the 10 water companies, although it owns four of the UK's smaller statutory water companies.

Générale's rival, Lyonnaise des Eaux, owns shares in Wessex Water, Anglian Water and Severn Trent, and has called a halt to further stake-building.

Severn Trent is to form a joint venture with Acer Group, an engineering consultant. The company, Acer Engineering, will be 35 per cent-owned by Severn Trent and will carry out some of the water company's extensive capital investment programme.

Within three years Severn Trent expects Acer will be able to tackle capital schemes worth more than £100m a year, of which some 60 per cent will represent work on the water company's £4bn 10-year investment programme.

Myer's to cease supplying Queensway

By Andrew Hill

ANOTHER bed manufacturer – Myer's Comfortable Beds – has decided to stop supplying Lowndes Queensway, the loss-making furniture and carpet stores group.

The move was made before Christmas and followed last month's decision by Silentnight not to accept orders from Queensway after February.

But the troubled retailer, which this month is expecting to publish details of a £70m refinancing package, said yesterday that other suppliers had filled the gaps left by Silentnight and by Myer's.

Myer's, a small family-owned bed manufacturer, decided to stop supplying Lowndes Queensway on December 21. It had wanted to continue supplies to Vogue Living – the Lowndes Queensway franchise in Debenhams department stores – but the retailer said Myer's would have to supply all its stores or none.

Lowndes Queensway, headed by Mr James Gulliver, said yesterday that out of an average of 28 beds displayed in its shops, only four were supplied by Myer's.

It added that the gaps would be filled by Slumberland beds, made by another private company, and G-Plan furniture, manufactured by Hillsdown Holdings. Both companies had already stepped into the breach left by Silentnight, which supplied 80 per cent of Lowndes Queensway's bed ranges.

The retailer's shares are suspended at 8¼p pending shareholder approval for the refinancing, which calls for an injection of £70m. Lowndes Queensway, now worth £27m, was formed from the £450m leveraged takeover of Harris Queensway in August 1988.

SeaCon fate to be decided on February 24

By Andrew Hill

THE LONG-RUNNING hostile bid for Sea Containers should be decided by the company's shareholders on February 24, almost nine months after it was launched.

Sea Containers finally announced the date for the long-awaited special general meeting yesterday. It will be held on a Saturday in Bermuda, where the ferry and container group is registered. Shareholders will decide whether to vote for a defensive recapitalisation plan or accept a hostile Anglo-Swedish bid for the ferry and container group.

The original bid from Tiphook, a UK container rental group, and Stena, a private Swedish ferry operator, has been increased twice and is now worth $70 per share, or $1.12bn in total.

Tiphook and Stena are hoping to replace the existing Sea Containers board at the meeting with a slate of new directors pledged to accept their offer.

Sea Containers is proposing a defensive tender offer for half its equity at the same price, funded by a $1.1bn programme of asset sales.

The offer has spent much of the last eight months bogged down in interminable legal proceedings in Bermuda and the US, where most of Sea Containers' shares are held. However, following court decisions in Bermuda in the last six weeks, both sides now believe the target's shareholders will decide the future of Sea Containers, which owns Sealink British Ferries.

In New York yesterday, the shares continued to trade at around $68½, despite Sea Containers' claim that investors who hold onto a stake in the continuing business will own preferred stock and stub equity worth more than $70 per common share.

Expedier disposal

Expedier Leisure has sold its 50 per cent interest in a freehold site at Wormley, Surrey, to London and Gloucester Investments for £1.8m cash.

Whitbread buys West German steak restaurants for £25m

By Philip Rawstorne

WHITBREAD, the UK brewer, yesterday bought the Churrasco chain of 29 steak restaurants in West Germany from ACCOR, a French company, for an estimated £25m.

The restaurants, located in 19 major cities, will make Whitbread the biggest steakhouse owner in West Germany, where it already operates 11 Beefeater and Denver outlets.

Mr Tim Thwaites, chairman of Whitbread's retail division, said yesterday that future development would be concentrated under the established Churrasco brand.

"We identified West Germany as an area in which to develop our chain restaurant businesses two years ago. With this name we can build a chain of 100 restaurants throughout the country," he said.

Whitbread, which two weeks ago announced the sale of its wines and spirits division to Allied-Lyons for £545m, indicated then that a substantial proportion of the money was earmarked for the expansion of its restaurant businesses.

The group now operates more than 650 restaurants in the UK, France, Belgium, West Germany, the US, Canada and Australia.

During the past 12 months, it has opened 30 restaurants overseas and 120 in the UK.

Whitbread has already announced major expansion plans for its Pizza Hut outlets, especially in France, and it recently acquired franchises to develop TGI Friday restaurants in Canada, Western Europe, and parts of the US.

Insurers take full control of estate agency chains

By Patrick Cockburn

LEGAL & GENERAL and Sun Alliance, two of Britain's largest insurers, moved yesterday to strengthen their retail distribution networks by taking full control of estate agencies in which they already hold majority stakes.

L & G has pirchased City and Urban Developments (trading as Parkers of Reading) and its recently acquired subsidiary Ellis & Co in north-west London, which together own 74 estate agents, for £7.8m. Significant growth and high profitability over the next three years would trigger a further payment of up to £5.5m.

Sun Alliance Group, the leading British composite, has agreed to acquire the 40 per cent stake still held by Hogg Robinson, the travel, transport, financial and property services company, in Hogg Robinson Property Services for £4.75m. Hogg Robinson will be paid a further £500,000 to provide services to the estate agency group until September.

L & Gl bought its original share in Parkers in 1987 and both Parkers and Ellis & Co have been tied agents since 1988.

L & G's life fund already owns 51.5 per cent of the combined operation and the remaining shares are to be purchased out of shareholders' funds. The purchase will be met by an allotment of shares in L & G Group.

Parkers made pre-tax profits of £2.46m in 1988. Ellis & Co, lost £850,000 over the same period.

Sun Alliance last year paid £18m for a 60 per cent stake in Hogg Robinson Property Services, which lost £2.2m in the year to March 31 1989, and had an option on the remaining 40 per cent.

These losses have continued with little prospect of improvement because of the slump in the housing market, according to Sun Alliance.

Inoco lifts stake in Hibernian

By Andrew Bolger

Edinburgh Hibernian yesterday announced that Inoco, the oil and property investment company, had increased its stake in the company which owns the Scottish Premier Division football club from 16.8 to 26.6 per cent.

Hibernian, which came to the Third Market in October 1988, last February paid Inoco £5.6m for Avon Inns, a property company based in the south-west of England.

Mr David Duff, Hibernian's chairman, said he had not been informed of Inoco's intention to increase its stake, but added: "If it came as a surprise, it came as a very pleasant surprise."

Mr Duff said that since acquiring Avon Inns, Hibernian had transformed its performance and he was sure that Inoco just wanted to increase their relationship with a company which it held in high regard.

Inoco executives were not available for comment.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
FNFC ....fin	8.5	Mar 1	8	13	11.5
Hollas ....int	1.6	Mar 30	1.5	-	3.1
Kleinwort Gilt ....int	36.38♣	-	32.69	-	127.95
Pepe § ....int	2.5†	Apr 6	2	-	6
Savills ....int	1.125	Feb 23	1.125	-	3.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ♣Third interim.

BOARD MEETINGS

TODAY

Interim- Baker Harris Saunders.
Final- Haemocell

FUTURE DATES

Interims-

Elders IXL	Feb. 13
Cowan de Groot	Jan 10
First Technology	Jan. 10
Fletcher King	Jan. 15
Hambros Currency Fund	Feb. 6
Hambros Eurobond	Jan. 10
Investment Company	Jan. 12
Olim Convertible Trust	Jan. 8
Pacific Dunlop	Feb. 9
Wessex Water	Jan. 10
Finals-	
Economic Forestry	Jan. 10
Scottish American Inv	Feb. 14

UK COMPANY NEWS

Tough domestic market blamed and no improvement so far in second half

Pepe's rise to £6.6m disappoints City

By Alice Rawsthorn

PEPE, the leisurewear group, disappointed the City yesterday by announcing that pre-tax profits had risen well below expectations in the first half. They increased by 9 per cent from £6.07m to £6.64m.

Mr Roger Rowlands, chairman, blamed competitive conditions in the UK clothing market for the disappointing performance. He said Pepe had increased UK sales, but operating profits had fallen because of the tough trading climate.

Earnings per share rose to 15.2p (14.5p) in the six months to September 30. The interim dividend is raised to 2.5p (2p). The USM-quoted shares fell by 5p to 270p.

Until yesterday's announcement Pepe – which began life in the 1970s as a stall on a London street market – had been one of the strongest performers in the lacklustre textile sector.

Pepe fared well in most of its overseas markets – with the exception of Sweden and Norway – in the first half. Overseas interests contributed 60 per cent of the group's £64.32m (£45.48m) turnover. Operating profits rose to £7.71m (£6.38m).

But sharply increased borrowings – fuelled by higher interest rates, slower repayment of debts and surplus *denim stocks – inflated the* interest charge to £1.07m (£305,000).

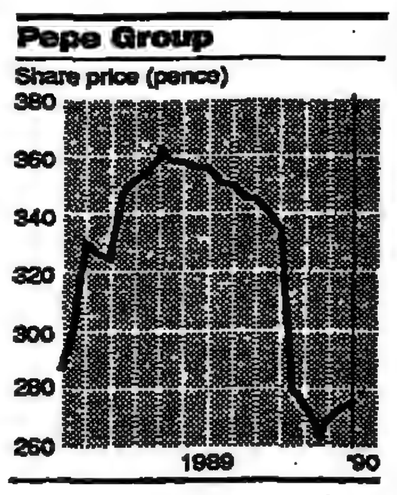
Problems in the UK, where operating profits fell by more than 15 per cent, pushed up the tax rate to 39 per cent and Pepe paid out £2.59m (£2.39m).

Mr Rowland said Pepe had been hit by cancelled and postponed UK orders. It also had invested in promotional support for retail customers. The market had been "no worse, but unfortunately no better" so far in the second half.

Problems in Sweden and Norway had been resolved and profitable new businesses opened in Japan and Spain. Pepe is considering diversification into Italy, Greece and New Zealand.

● COMMENT

After yesterday's announcement Pepe has probably lost its laurels as a star in the textile sector. The climate in UK clothing has been so competitive in recent months that it is scarcely surprising it should have suffered alongside its rivals. So far there is no sign of an improvement in the UK and operating profits will be stable, at best, in the second half. Pepe is still performing well in Europe and the US and is sensibly ploughing ahead with overseas expansion and the strengthening of its senior management team. The worry is that, if UK conditions worsen, it may have to slow down its international expansion plans. The City expects profits of £14.5m for the full year and a fall in earnings to 31.1p. Given that the founding family owns 70 per cent of the equity, there is little prospect of a takeover and the shares seem set to linger on a prospective p/e of 8.5.



LASMO expands with C$30m buy

LONDON & Scottish Marine Oil (LASMO) is to buy the international portfolio of assets of Home Oil Company, a subsidiary of InterHome Energy of Canada, for up to C$30m (£16.6m).

The assets to be bought consist of oil and gas exploration and production interests in 10 permit areas in six countries.

These are a 1.95 per cent interest in the Hudbay-operated Malacca Strait in Indonesia; a 20 per cent working interest in the Puerto Lopez oil discovery in Colombia; a 21.5 per cent interest in the PM-2 block in Malaysia; and further exploration territory in Egypt, Indonesia, Pakistan and Syria.

The Home Oil interests produce 1,100 barrels of oil per day, with reserves of 5m barrels. LASMO is expected to pay C$23m, though this could be increased by up to C$7m, payable over two years, depending on the success of exploration programmes.

Aitch agrees 10-year marketing deal with Tern Consulate

Aitch Holdings, the diversified fashion group, has signed a 10-year marketing and distribution agreement with Tern Consulate, the shirt manufacturer.

The agreement will enable Aitch to market and distribute Tern, Panache and Pierre Balmain brands under licence worldwide, with the exception of Japan and the Pacific Basin region.

Aitch is paying an initial *consideration of £100,000 with a* further £100,000 due on May 31 and royalties payable over the life of the agreement.

Foseco buys French stake for £3.3m

By Andrew Bolger

FOSECO, the specialist chemicals and abrasives group, yesterday announced that it had paid £3.3m cash for a 65 per cent stake in Servimetal, a subsidiary of Group Pechiney, the French state-owned metals manufacturer.

Mr Bob Jordan, Foseco's managing director, said Servimetal had been its main competitor in France for supplying specialist products to aluminium foundries, and the acquisition would increase Foseco's share of that market.

Servimetal is based at Chambery in south-east France and employs fewer than 100 people. It has net assets of £2.9m and last year's turnover was £12m.

Mr Jordan said Pechiney was retaining a 35 per cent stake so that it could keep in touch with Foseco's knowledge of specialist products for aluminium foundries. By the same token, Foseco was keen to be informed of Pechiney's growing expertise in producing aluminium.

Mr Jordan said that the parts of Foseco France, its French arm producing specialist products for the aluminium industry, would be merged with Servimetal.

Savills 'protected from the worst' but suffers 24% drop

By John Thornhill

SAVILLS, the chartered surveyor and estate agent, saw its interim profits fall by 24 per cent as hard times continued to beset the property retailing sector.

In the six months to October *31 1989, taxable profits fell to* £2.94m (£3.85m) although turnover was marginally ahead at £16.65m (£16.08m).

Savills' three divisions reported varied fortunes. The commercial property arm was the most resilient to the tightening economy as foreign investors continued to buoy up the London market.

The division also benefited from its professional services activities which covered rates, planning and rent review advice. The new business rate introduced this year produced more work and the division advised clients on 5,000 properties.

The market for farms and country estates remained firm and the agricultural division increased its turnover. The company believed that land values in England and Wales had held up well and that those in Scotland had risen significantly. Scottish sporting estates were said to be in particularly strong demand and Savills estimated their values *had doubled* in the last 18 months.

High interest rates, however, hit the retail division hard and turnover fell. But the company believed that its presence in the upper end of the market – the average price of the houses it sold (at about £380,000) was almost six times the national average – had helped protect it from the worst ravages of the sector.

However, Mr George Inge, chairman and chief executive, warned that "the squeeze has now worked its way up to the upper end of the sector." Values had not fallen greatly but turnover was 30 per cent down on this time last year, he said.

Earnings per share were reduced to 5.2p (7.2p) but the interim dividend stays at 1.125p.

Carclo makes £1.9m acquisition

Carclo Engineering, the Huddersfield-based card clothing and speciality engineering products manufacturer, has purchased Hills Diecasting and its Hills Non-Ferrous subsidiary for an approximate £1.9m cash.

The deal, which is subject to adjustment when the stock has been agreed, was effected through Carclo's Francis W Birkett offshoot.

Hills, a foundry business based in Greenwich, south London, reported pre-tax profits of £100,000 on turnover of £3.3m for the year to end-September. Net assets at that date amounted to some £1.4m.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1988							
2nd qtr	108.5	112.5	32.9	119.7	122.7	2,394	256.2
3rd qtr.	110.6	116.9	33.7	120.1	126.9	2,239	244.3
4th qtr.	110.2	117.1	28.5	121.9	155.4	2,101	241.4
1989							
1st qtr.	109.5	118.8	33.2	121.5	135.4	1,962	226.6
2nd qtr.	109.2	119.2	34.0	122.9	132.7	1,834	222.4
3rd qtr.	110.7	119.4	35.6	121.7	134.7	1,742	220.3
January	109.5	118.0	35.4	119.6	124.3	1,988	230.9
February	109.1	118.5	36.6	122.1	123.8	1,940	225.9
March	109.9	118.9	38.7	122.6	127.4	1,917	224.9
April	110.3	118.7	34.7	126.9	131.6	[illegible]	222.2
May	108.3	119.7	34.1	124.5	133.4	1,836	219.5
June	108.8	119.4	34.0	121.8	132.0	1,810	224.4
July	110.9	119.5	34.7	121.6	136.2	1,767	220.6
August	111.6	120.3	35.3	121.6	134.0	1,745	219.5
September	110.6	118.5	35.6	122.3	133.9	1,694	220.7
October	111.4	119.9	35.2	121.9	140.2	1,674	214.8
November				126.9		1,675	209.5

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
2nd qtr	111.5	108.7	108.9	110.4	120.7	100.9	22.3
3rd qtr	114.3	113.1	108.3	114.6	125.1	101.7	20.4
4th qtr	114.5	116.1	106.3	116.4	124.3	101.2	18.4
1989							
1st qtr.	114.9	119.1	103.9	118.8	130.3	101.2	17.9
2nd qtr.	116.5	120.1	102.7	119.5	123.6	98.9	16.9
3rd qtr.	114.8	123.6	104.5	121.1	124.2	97.4	14.6
January	114.6	119.4	103.9	119.0	137.9	101.9	18.5
February	114.5	118.8	103.5	119.0	127.9	102.9	18.4
March	115.8	119.1	104.2	119.8	127.8	100.0	15.8
April	116.2	118.9	105.5	119.0	126.0	100.0	16.4
May	116.4	120.7	100.9	120.0	123.9	98.9	16.8
June	114.9	122.6	101.6	121.0	117.9	98.9	17.7
July	115.2	123.4	103.0	122.0	120.0	97.0	15.5
August	114.7	125.3	105.5	122.8	128.0	97.0	14.1
September	113.5	122.0	105.1	120.9	124.0	98.9	14.2
October	114.9	126.9	104.2	125.0	124.9	94.9	15.1

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	107.3	119.4	-4,020	-3,061	+730	97.6	46.64
2nd qtr	114.9	128.2	-4,530	-4,781	+905	97.1	48.52
3rd qtr	112.8	134.6	-6,724	-3,332	+627	97.3	50.40
4th qtr.	107.9	134.7	-6,466	-6,491	+389	98.7	51.69
1989							
1st qtr.	112.9	140.5	-5,984	-4,605	+256	98.7	50.46
2nd qtr.	114.7	140.2	-5,870	-5,053	+294	98.9	43.67
3rd qtr.	118.8	148.2	-6,698	-6,494	+320	98.2	42.89
4th qtr.							38.65
January	117.1	145.1	-2,047	-1,646	+115	98.3	51.71
February	105.1	138.9	-2,224	-1,823	-8	98.6	51.69
March	116.3	138.2	-1,709	-1,250	+141	98.7	50.46
April	110.9	140.0	-2,193	-1,921	+116	98.9	47.26
May	115.6	138.4	-1,726	-1,463	+57	98.9	46.09
June	117.7	142.1	-1,951	-1,679	+122	98.9	43.67
July	116.1	148.5	-2,565	-2,467	+75	98.2	43.63
August	113.6	140.7	-2,244	-2,176	+143	98.6	43.21
September	128.6	149.3	-1,899	-1,831	+101	98.0	42.89
October	120.7	142.9	-1,828	-1,728	+168	98.3	39.69
November	121.8	139.2	-1,915	-1,415	+197	98.1	38.77
December							38.65

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1988							
2nd qtr	6.8	14.6	16.6	+22,399	4,173	+1,027	9.50
3rd qtr.	7.7	16.2	18.5	+22,482	3,182	+995	11.50
4th qtr.	7.7	16.9	17.6	+19,899	3,168	+895	12.70
1989							
1st qtr.	6.7	14.7	18.1	+21,182	2,881	+894	13.00
2nd qtr.	6.0	11.9	18.4	+20,310	1,738	+899	14.00
3rd qtr.	5.3	9.9	17.4	+28,146	2,295	+892	14.00
4th qtr.							15.00
January	7.4	15.6	18.9	+7,811	794	+192	13.00
February	6.8	15.6	18.4	+5,063	1,064	+293	13.00
March	6.1	14.7	18.1	+8,288	813	+330	13.00
April	5.8	14.6	17.9	+6,322	1,175	+341	13.00
May	6.2	13.5	18.1	+6,419	713	+471	14.00
June	5.9	11.5	18.5	+7,880	-153	+198	14.00
July	5.2	10.1	18.5	+7,743	846	+249	14.00
August	6.1	10.1	17.3	+7,958	821	+369	14.00
September	4.5	9.9	17.4	+10,446	618	+74	14.00
October	5.2	9.9	17.2	+6,282	704	+174	15.00
November					177		15.00
December							15.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1988							
1st qtr.	98.4	96.9	111.0	103.7	102.5	1,747	75.3
2nd qtr	99.7	97.9	112.6	106.2	104.6	1,817	77.8
3rd qtr.	102.6	98.5	113.9	106.6	104.7	1,902	75.9
4th qtr.	104.1	100.1	115.2	108.9	105.7	1,867	77.5
1989							
1st qtr.	105.4	102.9	116.8	111.7	107.8	1,874	97.1
2nd qtr.	108.8	104.4	118.2	114.9	110.2	2,018	93.6
3rd qtr.	110.6	103.1	119.6	116.0	110.7	1,912	91.7
4th qtr.						1,848	88.0
January	104.2	104.0	116.4	111.0	107.4	1,909	97.9
February	104.6	101.9	116.9	111.8	107.7	1,934	97.4
March	107.3	102.4	117.2	112.3	108.3	1,998	96.9
April	107.3	103.9	117.6	114.3	108.6	2,016	95.5
May	107.5	104.7	118.2	115.0	110.3	2,010	94.3
June	108.1	104.7	118.6	115.4	110.7	2,027	91.1
July	110.3	102.6	119.0	115.5	110.1	1,940	92.2
August	109.1	102.7	119.5	115.8	110.0	1,902	91.6
September	110.2	103.6	120.0	116.6	111.3	1,893	91.3
October	111.7	104.1	120.6	117.5	112.4	1,859	88.7
November		[illegible]	120.9	118.5	113.6	1,863	87.9
December						1,816	86.5

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

UK COMPANY NEWS

Calling a target company to its accounts

Maggie Urry on how Kingfisher's delving into Dixons' figures has restoked interest

EVEN IN ferocious bid battles it is unusual for a bidder to go to the lengths that Kingfisher, the retail group, has pursued in its examination of the accounts of its target, Dixons, the electrical retailer.

It will, perhaps, not excite the headline writers, though in its way the £568m battle is just as fierce as any based on a personality clash.

The publication yesterday of a circular from Kingfisher based on such a scrutiny, raised the temperature in the battle which passed its first closing date earlier this week. It also reopened the debate over how far retailers in general, and other companies, have made use of accounting rules to flatter profits.

Kingfisher has evidently spent years pouring over the accounts of 41 of Dixons' subsidiary or related companies – some of which bear avian names like Beakhold, Jayhold and Timelark – which are filed at Companies House. It has also studied the Form 20-F which Dixons is required to file in the US, where its shares are traded, which gives more information than the accounts which UK shareholders receive.

On the basis of these numbers it sent a circular to Dixons' shareholders, which claimed to raise important questions about the composition and quality of Dixons' profits, as reported to shareholders in the group accounts.

Kingfisher said that Dixons' UK electrical retailing business had in reality been in decline since the mid-1980s, and that there were fundamental doubts about the real value of Dixons' shares, for which it is offering 130p each in cash.

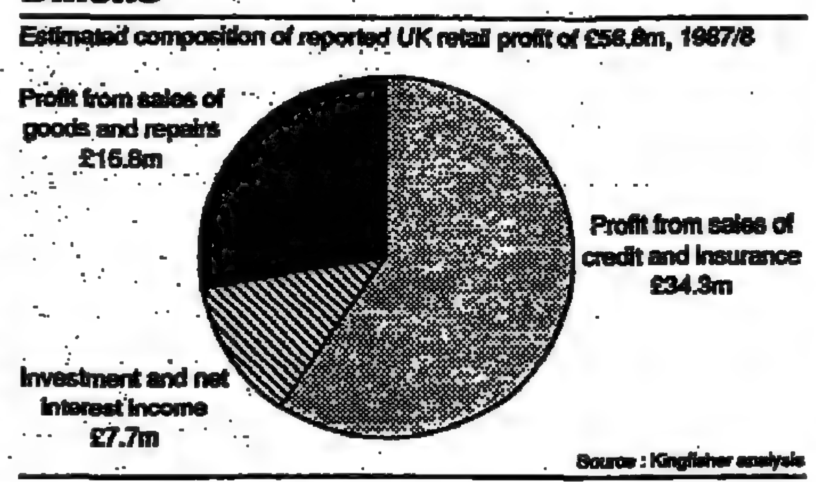
Mr Archie Norman, Kingfisher's finance director, said he was not suggesting any impropriety in Dixons' accounting practices. However, he said, the published figures had hidden from shareholders and analysts that "the trend in Dixons' performance is fundamentally worse than people have appreciated".

In reply, Dixons said that the new document was "a mischievous attempt to divert shareholders from the real issues and to talk down the value of Dixons." Mr Robert Shrager, Dixons' finance director, said the Kingfisher analysis was "specious".

Kingfisher's 24-page document attempts to construct details of Dixons' figures which are not revealed in Dixons' own group accounts. However, Mr Shrager pointed out that a group's figures could not be put together from the accounts of its subsidiaries without knowing details such as intra-group tax arrangements.

Dixons

Estimated composition of reported UK retail profit of £58.8m, 1987/8



Source: Kingfisher analysis

The main points of Kingfisher's document were that:

- Dixons' record earnings in 1985-86 and 1986-87 were buoyed by significant non-recurring benefits in the aftermath of the takeover of Currys, another electrical goods retailer, in 1984;
- Dixons' operating profits between 1985-86 and 1988-89 were boosted by selling freeholds of shops and these could not be repeated;
- Dixons' retailing profits included interest receivable and substantial profits from selling financial services – such as credit and extended warranties;
- In the latest financial year Currys and Dixons made losses on selling goods, as opposed to financial services;
- Dixons' core business has been in "severe decline since the mid-1980s during a period in which the UK electricals market has experienced substantial growth".

Mr Shrager said many of these points had already been countered in Dixons' defence document, which was sent to shareholders last week. He said Dixons would be trying to work out how Kingfisher had reached the numbers it got to, as well as releasing interim profit figures and a forecast for the year to end-April before January 20, the last day when new information can be made available.

He said it was true that Dixons had sold freehold shops. But it had reinvested the proceeds in a more diversified portfolio of properties, producing a better rate of return.

Kingfisher's accusation that Dixons makes a loss on sales and repairs of goods, while making its retailing profits through sales of credit and extended warranties (in essence insurance policies) on the goods was wrong, Mr Shrager said.

He argued that credit and warranty sales were only made on the back of selling goods. However, Kingfisher's document appeared to compare the gross income from the credit and warranty sales with the net profit from selling goods, after paying overheads such as rent and rates on the shops. To compare the figure properly, Mr Shrager said, these overheads ought to be spread across the credit and warranty business too.

Mr Shrager said that Kingfisher does not separately show the financial services profits of Comet, its electrical goods retail chain, and indeed, as a subsidiary of Kingfisher, the level of disclosure of Comet's profits and balance sheet is a great deal lower than Dixons'.

Dixons has challenged Kingfisher to provide an equivalent detailed analysis of profits from Comet. Once started, this sort of competition can be hard to stop.

Sanderson Murray shares lifted by offer

By Clay Harris

SHARES IN Sanderson Murray & Elder (Holdings) jumped 50p to 200p yesterday after Yorkshire businessman Mr Tony Bramall bought a 45 per cent stake in the Bradford-based wool group and made a 175p per share cash offer for the rest.

Mr Bramall, chairman of family-controlled CD Bramall until the Bradford car dealership was sold to Avis Europe in 1987, said he intended to expand Sanderson into property development, leasing and selectively into motor distribution.

The offer, which values Sanderson at £3.33m, is mandatory under the Takeover Code. However, Mr Bramall said he intended to retain Sanderson's listing, and if acceptances took his stake over 75 per cent the surplus would be placed out.

Sanderson saw pre-tax profits fall to £118,000 (£214,000) on reduced turnover of £5.74m (£6.55m) in the year to June 30 1989.

Mr Bramall said Sanderson would remain in textiles although the sale of its wool-combing plant, announced in December, would proceed.

He bought his shares from a Sanderson director, members of certain directors' families and family trusts. Holders of 9.22 per cent of Sanderson's shares said they did not intend to accept Mr Bramall's offer.

Mr Bramall said that he would devote his full time to the Sanderson chairmanship. There was no plan at present for the company to buy his personal property interests.

Hollas up 23% in spite of difficulties on garment side

IN SPITE of difficulties in the garment distribution division, which is being extensively reorganised, the Hollas Group lifted pre-tax profit by some 23 per cent, from £1.19m to £1.46m, in the half year to September 30.

Mr Tony Lawson, chairman, conceded the garment side's performance would be affected in the short term but said substantial gains were expected thereafter.

The reorganisation covers the UK and Far East and will take some time to achieve as it is designed to include operations in the US and Europe.

The yarn division performed "admirably" in spite of shorter order books, and Hawkshead Sportswear, acquired in April, performed creditably in its own right. Mr Lawson said he expects further growth at Hawkshead and, to this end, further retail outlets are being sought.

Turnover rose 37 per cent to £28.54m (£20.88m) and operating profit was up 34 per cent to £1.98m (£1.47m). Interest charges, however, surged to £521,000 (£284,000).

Earnings fell to 2.3p (2.6p) on higher capital, and the interim dividend is 1.6p (1.5p).

Mr Lawson said apart from supplying a retail sector that is "extremely depressed", garment distribution also lost a major customer.

Close Bros buys US interest

Close Brothers Group has subscribed $1m (£613,000) for 50 per cent of a Boston-based insurance premium financing company, to be called Prompt Finance.

The other 50 per cent of the shares are held by Forum Re Group, a NASDAQ quoted US insurance group.

The parties have each agreed to contribute a further $1m if certain financial conditions are met before 1992. Close will also be procuring bank facilities for the joint venture operation, initially amounting to $10m.

Prompt Finance Inc has been trading as the wholly-owned insurance premium financing subsidiary of Forum Re Group for some 18 months and is trading profitably.

Summer Intl plans share issue to release funds

SUMMER INTERNATIONAL, the training and educational group, plans to issue 1.25m redeemable preference shares and 448,000 ordinary shares to raise about £1.4m.

This will be used to procure the release of £1.22m held as security for a bank guarantee in favour of creditors required under the capital reconstruction last July.

Shareholders' approval will be sought for the capital increase and also the proposed $2.6m (£1.63m) acquisition of American Hi-tech, which owns three vocational training schools in New York, at a meeting on January 26.

Summer plans to allot 448,000 new ordinary shares at 35p each to raise £156,800 before expenses. It is also raising £1.25m by the issue of 1.25m new 15 per cent cumulative redeemable preference shares at £1 each. The preference shares will carry warrants to subscribe to ordinary shares at 35p each.

The enlarged group is expected to show a small trading loss for the six months to March 31 while the American schools achieve a profitable level of occupancy and a fourth school is opened. Thereafter they are expected to contribute to profits.

Under the purchase agreement, announced originally last March, Summer is responsible for the management, reorganisation and integration of the American Hi-tech schools prior to completion of the deal.

The cost to date amounts to about £2.44m, which has been provided from Summer's own resources. The schools are being integrated into Summer's existing US subsidiary – Betty Owen Enterprises. In the year to July 31 1988 American Hi-tech earned income before allocated indirect costs and taxes of $5.49m.

Summer also announced yesterday that it expects to report its figures for the year to September 30 in early February, as soon as it has established the initial profit on the sale of Language School Holdings.

Mr Jerry Polvay, president of Betty Owen Schools, is joining the board and Mr Dane Neller is resigning.

CI brewer buys French soft drinks company

Ann Street Brewery, the Jersey-based drinks, tobacco and hotels concern the shares of which are dealt in under Rule 535 (2), has expanded its soft drinks activities with the acquisition of 95 per cent of Sofires, the French drinks group.

L'Abeille, Sofires' principal subsidiary, is a manufacturer, bottler and distributor of branded and own-label soft drinks sold throughout France through supermarkets.

ASB has already paid FFr100m (£10.6m) cash for the stake and there is a deferred consideration of up to FFr15.7m depending on Sofires' profit levels in 1990. The balance of Sofires' equity will be retained by Mr Thierry Resibois, who has been appointed chairman and managing director of L'Abeille.

ASB already manufactures and sells soft drinks in the Channel Islands and the acquisition will give it a distribution base in France.

Alcatel has 51.5% of Nat Telecom

Alcatel Business Systems has bought 8.47m shares in National Telecommunications and now owns or has irrevocable acceptances in respect of 17.49m shares (51.5 per cent).

Brooker named as new head of Serif Cowells

By Andrew Hill

Mr Alan Brooker, chairman of electronics and computer group Kode International, has been appointed non-executive chairman of Serif Cowells, the USM-quoted printing company best known for manufacturing and marketing the Trivial Pursuit board game in Europe.

He will succeed Mr Peter Barker, who is to continue as a non-executive director of the group. Mr Barker is likely to devote more of his time to the Lewisham and North Southwark District Health Authority, of which he is chairman.

Mr Brooker, 58, who was chairman and chief executive of Extel Group until 1987, joined the board of Serif Cowells in November. He is also deputy chairman of Provident Financial Group, and a non-executive director of Plysu, the plastics business, and architecture and design company Aukett Associates.

In October, Serif Cowells reported a significant downturn in interim profits, blamed on compensation paid out to three former directors of its printing division and continued losses in its colour book-printing operation, now closed.

The contract to distribute Trivial Pursuit in Europe expires in June, but Serif Cowells will probably exercise an option over it until June 1991.

Kleinwort Benson Gilt assets dip

Kleinwort Benson Gilt Fund reported a gross profit before tax and extraordinary items of £4.51m for the nine months ended January 1 1990 compared with £4m for the corresponding period of the previous year.

Net equalisation on issues/redemptions of participating shares was £101,765 (£125,264) leaving an adjusted gross revenue of £4.41m (£3.88m). There was a nil tax charge (same).

Net asset value per participating preference share in the period fell slightly from £13.21xd to £12.87xd. The third interim dividend payment is raised from 32.69p to 36.38p.

Correction

Berry, Birch

Berry, Birch and Noble made a pre-tax profit of £203,426 in the six months to July 31 1989. In yesterday's edition, the £375,000 loss the company reported for the previous 12 months was incorrectly attributed to the later period.

COMMODITIES AND AGRICULTURE

Analysts stand their ground as gold plunges below $400

By Kenneth Gooding, Mining Correspondent

THE PRICE of gold plunged by $8.50 a troy ounce to close in London at $394.50 yesterday, causing some concern among the many analysts who had predicted it would climb steadily in 1990.

"But we are only three days into 1990, let's not panic yet," said Mr Michael Spriggs, analyst at the S G Warburg Securities financial services group.

He said he was standing by his forecast that gold would average $415 an ounce during the first half of this year even though the immediate outlook was for the price "to move sideways or a bit lower."

"And the longer the price stays below $400, the more difficult it will be for it to regain that level."

Analysts were worried because the price yesterday dropped below $395, an important technical support level. It might now move down to the next key support level at $385, they suggested.

A number of factors had combined to drive down the price, analysts said – the strength of the US dollar, the Tokyo and Swiss markets being closed and a substantial fall in the platinum price, often linked in computer trading programmes to gold.

Ms Rhona O'Connell, precious metals analyst at the Shearson Lehman Hutton financial services group, insisted, however, that gold's fall was in line with experience in previous bull markets.

After an 11-week rally lifted the price rose from about $365 an ounce to $421, it had lost 40 per cent of the rise in a 4-week correction, she pointed out. "This looks more like consolidation than a break-down (of the bull market)."

Ms O'Connell insisted: "If the gold market was going to fall apart it would have fallen apart this week – what with Tokyo being closed and the dollar strengthening. But it hasn't fallen apart."

She said the gold price might now "test" $390 "but it is very unlikely to go lower." Ms O'Connell was not inclined to alter her prediction that the gold price would range between $375 and $450 an ounce during 1990.

Brittan urges intensified CAP reform in preparation for 1992

By Bridget Bloom, Agriculture Correspondent

THE REFORM of the European Community's common agricultural policy will have to be intensified if there is to be full and fair competition within the forthcoming European "single market," Sir Leon Brittan, EC Commissioner for Competition and vice president of the Commission, said yesterday.

Sir Leon, who was talking to the theme of "farmers in competition" at Britain's annual Oxford farming conference, noted that at present full and fair competition, the necessary basis for the single market, did not exist in agriculture.

That was principally because of the existence of the system of green currencies (the artificial rates of exchange used to translate Europe's guaranteed prices into national currencies) which is due to be phased out by 1992 – a process, Sir Leon said, which would be much easier if Britain were a member of the Exchange Rate Mechanism of the European Monetary System.

However, Sir Leon said that while the Treaty of Rome specifically stated that the normal rules of competition need not apply to agriculture, governments currently interfered too much with the fuctioning of the markets. The "splendid provisions which prohibit price cartels, market sharing arrangements and abuses of market-dominant positions" lost "nine tenths of their force once they come within hailing distance of the farm gate," he said.

Some government role in minimising the effect of weather-related swings in farm incomes and consumer prices was inevitable, he said. But it was essential that the CAP should be more market-oriented. In particular it would be necessary further to develop the so-called budget stabilisers introduced for most supported commodities at the 1988 Brussels summit.

Sir Leon Brittan: Full and fair competition does not exist in EC agriculture

"The basic level of support should be there to ensure that severe surpluses and shortages do not arise but its purpose should not be to eliminate all seasonal variations." Beyond that, "it makes clear sense to link prices to the realities of the market," Sir Leon said.

Mr John Gummer, Britain's Minister of Agriculture, also delivered a warning to the conference that unless British farmers woke up to the need to become more competitive they could find it difficult to survive within the single European market.

Singling out Britain's Milk Marketing Boards, which have a monopoly over milk sales and, with the Dairy Trade Federation, operate a price fixing cartel, Mr Gummer said that the single market would offer huge opportunities for the milk and dairy industries.

"Either the Milk Marketing Boards and the Dairy Trade Federation adapt to this new situation or their will see their markets taken away by more innovative and aggressive competition from the rest of Europe," he said.

However in apparent answer to critics who have called on the Government to legislate the abolition of the milk boards' monopoly, Mr Gummer declared that it was for the dairy industry to put its own house in order. It was not for a Conservative Government to intervene, he said.

Mr Gummer added: "Prosperity for farmers will depend not in the last resort on the taxpayer and the hope of intervention, but instead on individual enterprise. The 1900s should be remembered as a decade where farmers sought to maximise their opportunities, not one where they moaned about the ones they had missed."

Sir Leon said he doubted whether the £20bn the Community spent annually through Brussels and national governments on direct agricultural support was correctly targeted. Too often aid was paid out for its own sake rather than to improve the viability of a farm or protect the environment.

The Community needed to be much more open about the nature of farm support. It was both misconceieved and an anti-competition way of thinking to see aid which was unrelated to market prices – for example for environmental protection – as second rate. Such state involvement was no less valid than that of supporting market prices, he said.

Cocoa tendering record smashed

By David Blackwell

A RECORD 140,970 tonnes of cocoa was tendered against the December position on the London Futures and Options Exchange (Fox), well ahead of the previous record of 89,320 tonnes set in July 1987.

The heavy tendering put extra pressure on the exchange's grading facilities, which in November and December graded 8,092 lots of 10 tonnes each.

The exchange said yesterday that the record amount demonstrated its ability to handle substantial volumes in an orderly manner.

As it became apparent last November that a large amount of cocoa would be delivered in December, the exchange increased the margin, or deposit, on each contract from £40 a tonne to £500 a tonne.

However, as the open position began to fall the exchange cancelled two further planned margin increases.

Yesterday the May contract closed at £635 a tonne, a fall of £9 on the day.

● The Nigerian Government will ban the export of raw cocoa beans and raw palm kernel from January 1991, Mr Alhaji Abubakar Alhaji, the Minister of Budget and Planning announced in Lagos, reports Reuter.

At a briefing on Nigeria's new national rolling plan and 1990 budget he said only the export of semi-processed and processed cocoa and palm kernel would be allowed from January 1991. "Government has decided. . . that only cocoa processed into cocoa butter, cocoa cake, cocoa powder and cocoa liquor will be allowed (for export) as from January 1991 when the export of cocoa beans will cease," said Mr Alhaji. From that date "only palm-kernel oil, palm kernel cake and other derivatives of palm-kernel will be allowed for export," he added.

Nigeria has banned, with immediate effect, the export of raw hides and skins.

Going for growth at London Fox

David Blackwell talks to the exchange's new chief executive

THE LONDON Futures and Options Exchange (Fox) will be launching at least four new contracts this year, according to Mr Mark Blundell, the new chief executive.

First on the list is the long-awaited rubber contract, which is due to start trading next Wednesday using the automated trading system which Fox uses for its white sugar contract.

Mr Blundell, who became the first chief executive of the exchange last month, says that all the new contracts under consideration would use the system.

"ATS makes us a low-cost producer of new contracts – I keep going back to this," he said. "It costs less to take an ATS terminal than put in a junior member of staff here – £10,000 to £15,000 a year."

The exchange charges between £700 and £800 a month for a terminal, plus a £500-a-year trading fee in the case of white sugar. But once a terminal is installed a subscriber need only pay the additional trade fee to buy and sell any contract that is available on the system.

Among those which Mr Blundell is pushing to introduce next year are contracts for tea and property, but he would not be drawn on details of other possibilities beyond saying that they would include both the obvious softs "and the less obvious fits."

Mark Blundell: Plans to launch at least four new contracts this year

However, he said the tea and property contracts were reasonably advanced, and consultations were on hand with the trade. Tea would be a deliverable contract, while property would be index-based.

The white sugar contract started in 1987 with nine screens; it now has 11 screens and is trading between 1,000 and 2,000 lots (50 tonnes each) a day. "In November we were 50 per cent ahead of the French – so we're establishing ourselves as the leading white sugar market," says Mr Blundell. His claim is borne out by the reaction of Matif, the French futures exchange, which is sharply cutting its sugar futures transaction fees as part of a plan to revive activity in the white sugar pit, where volume has fallen 35 per cent in the past four years.

Fox will not say how many screens will be in at the start of the rubber contract, although there will be two abroad – one in Singapore and one in the US.

While he is an enthusiastic advocate of automated trading, Mr Blundell would be very surprised to see the cocoa, coffee and raw sugar open outcry pits at Fox go over to ATS in the near future.

"The market's used to operating that way and I see no reason to interfere with it. The purpose of ATS is to launch new contracts," he says.

Mr Blundell, formerly director of traded options at the exchange, is also determined to see growth in the principal contracts and their options, and things are already moving on this front.

The US Commodity Futures Trading Commission will tomorrow clear all Fox options so that they can be traded by US clients. The decision has been partly behind the recent application by two US market-makers for membership of the exchange. One has since backed out but the other has been fully approved.

But the momentum of the traded options market itself has attracted attention in the US. Mr Blundell points out that over the last four months of last year options averaged about 1,000 lots a day, about three times last year's levels, despite the bear markets for cocoa and coffee. Options generally trade better in a bull market.

He is expecting a big increase in volumes this year, particularly if the underlying cocoa and coffee markets pick up. Yesterday Fox revealed that total trading last year was 4.27m lots, an 8 per cent increase over the 1988 level.

The exchange sees the advent of the European "single market" in 1992 as an opportunity to attract both speculative and fund buying from the Continent. But it is concerned to avoid ending up with layers of regulation – "that drives up the costs of doing business," says Mr Blundell, who insists that effective regulation does not have to be costly.

The exchange is now ready to expand after its period of consolidation following the move in 1987 to Commodity Quay and the setting up of the white sugar ATS. "It is my ambition to see Fox grow in both core contracts and new contracts," says Mr Blundell. "We aim to maintain and deepen our pre-eminence as the major commodity exchange in Europe."

Orange juice prices soar after freeze

By Deborah Hargreaves

AS FLORIDA counts the cost of this year's Christmas freeze, orange juice futures prices are soaring on the New York Cotton Exchange. The March futures contract ran into an expanded 8 cent price movement limit for the sixth day in a row yesterday.

Most analysts are estimating that 30 per cent of the orange juice crop has been destroyed by the severe cold. This would leave the state with a harvest of 91m boxes of juice compared with last year's crop of 147m boxes.

The 1989 crop had already been adversely affected by cold weather earlier in the growing season.

With trading in juice futures reaching fever pitch, prices are approaching historical highs. The futures price rose to $2.04 per lb in 1987 when the Brazilian crop was late in its harvest. "With trading the way it is now, there is no reason why the market shouldn't be able to challenge that level," says Ms Judy Ganes at Shearson Lehman.

Traders have an eye on the next crop forecast by the US Department of Agriculture which is due out on January 11.

Brazil has a record crop of orange juice this year but much of it is already committed to Western Europe and it is not clear if exported Brazilian juice could completely make up for a US shortfall.

Brazil has already raised its juice price by 30 cents from its pre-freeze level of $1.67 a lb. Processors in Florida are also raising cash prices by some 30 cents to about $1.72 a lb.

Egyptian cotton earnings fall by a third

EARNINGS FROM cotton, once Egypt's most lucrative export crop, dropped almost a third last year and are expected to fall further this year, according to Egyptian Cotton Authority officials, reports Reuter from Alexandria.

Total export earnings in the state-run cotton industry dropped to $250m in 1988-89 from $357m, despite a price rise of 32 per cent.

The officials blamed the fall in revenues on last year's bad harvest. This year's harvest is even worse than last year's and revenues are expected to fall further, they said.

Egypt is expected to export 140,000 bales of cotton this year compared with 209,700 last year.

Once known as the "white gold" of Egypt, cotton production never really recovered from the large-scale land reforms introduced by the late President Gamal Abdel-Nasser and many farmers are now finding cotton unprofitable to grow.

● Egypt's wheat stocks could fall below 100,000 tonnes by June as a dispute with France worsens an already tight supply situation, Cairo traders said.

Winters of discontent for mink farmers

By Xueling Lin in Copenhagen

MILD WINTERS over the last two years have had a disastrous effect on the price of Danish mink pelts. Pelt prices have halved since 1987 and, for the first time in 17 years, not all the pelts at the annual autumn auction were sold.

Mr Anders Kirkegaard, chairman of the Danish Fur Farmers' Association, expects a large number of farmers will have to close down because of the drop in prices.

Pelts normally are sold at DKr250 (£23) each – which the association calculates should cover rearing costs – but the recent auctions have seen prices drop to an average of DKr128 per pelt.

Scandinavian furs dominate the world fur industry. Norway, Sweden and Denmark jointly account for half the world production of mink furs and close to 90 per cent of the world turnover in fox furs. Danish fur sales alone were valued at DKr2.5bn in 1987.

The weather is not the only reason for the fall in sales. In Japan, the world's second largest market for furs, sales fell by 15 per cent for the second year in succession because of tax regulations. Although the Danish minks are all farmed furs, as opposed to wild furs, the widespread anti-fur propaganda has also taken its toll on sales.

The association hopes to curb the falling prices by encouraging farmers to deep freeze the excess pelts so that they can be brought out when the market picks up again.

Fur farmers have also started to sell breeding stock at the auctions in order to cut production. Critics say, however, that this has served only to press prices down even further.

Mr Kirkegaard says that the system of stockpiling is a well-known idea in the EC and can be used to stop the bottom falling out of the market.

LONDON MARKETS

COPPER prices advanced on the LME yesterday, following Comex, which moved up on rumours – later denied – of shipment delays from Peru. The rally breached the long-standing resistance point of $2,420 a tonne, and analysts now believe the price could test $2,450 to $2,500 a tonne. Fresh buying is expected to emerge today as far eastern operators, particularly the Japanese, resume business after the New Year holiday. The gains in copper helped the aluminium market, which is attempting to move out of the current neutral chart trading range, although stiff resistance is expected around the $1,650 a tonne level. Nickel prices recovered from fresh lows in the morning after the market appeared to become oversold. However, the market's fundamental weakness remained unchanged, analysts said.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.85-8.90w	+1.07
Brent Blend	$21.95-2.00w	+1.37
W.T.I. (1 pm est)	$23.75-3.78w	+1.33
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$222-224	+10
Gas Oil	$245-246	+14
Heavy Fuel Oil	$109-111	+2
Naphtha	$191-193	+5.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$394.5	-8.5
Silver (per troy oz)♣	516c	-7
Platinum (per troy oz)	$475.8	-0.9
Palladium (per troy oz)	$133.5	+0.4
Aluminium (free market)	$1635	+10
Copper (US Producer)	109⅝-111c	
Lead (US Producer)	39.5c	
Nickel (free market)	385c	
Tin (Kuala Lumpur market)	18.04r	-0.34
Tin (New York)	309.5c	-2.0
Zinc (US Prime Western)	73¼c	
Cattle (live weight)†	112.13p	-1.91*
Sheep (dead weight)†	210.35p	-0.80*
Pigs (live weight)†	84.48p	-4.17*
London daily sugar (raw)	$314t	-8.2
London daily sugar (white)	$379t	-1.0
Tate and Lyle export price	£308	-2.5
Barley (English feed)	£118.5	
Maize (US No. 3 yellow)	£131	-0.25
Wheat (US Dark Northern)	£132	
Rubber (spot)♥	55.00p	+0.25
Rubber (Feb)♥	57.50p	+0.25
Rubber (Mar)♥	58.50p	+0.25
Rubber (KL RSS No 1 Jan)	224.5m	
Coconut oil (Philippines)§	$445t	-10
Palm Oil (Malaysian)§	$267.5	-2.5
Copra (Philippines)§	$280	
Soyabeans (US)	£168t	
Cotton "A" index	75.00c	-0.90
Wooltops (64s Super)	576p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Dec/Jan. t-Jan/Feb v-Jan/Mar. w-Feb. z-Jan †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	624	631	633 623
May	635	644	644 634
Jul	648	658	657 648
Sep	665	675	674 664
Dec	689	697	698 688
Mar	707	716	716 706
May	718	731	730 716

Turnover: 3230 (2559) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 3 732.17 (737.35):10 day average for Jan 4 734.09 (734.21)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jan	634	630	639 630
Mar	654	647	656 646
May	667	662	668 662
Jul	682	676	683 678
Sep	698	693	700 694
Nov	714	710	717 714
Jan	733	730	737

Turnover: 4135 (3128) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 2: Comp. daily 63.07 (62.84). 15 day average 62.25 (62.15)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	311.60	287.80	315.20 285.20
May	310.60	289.80	311.60 287.40
Aug	308.00	287.80	308.80 287.20
Oct	300.00	283.20	301.00 281.40
Mar	285.00	269.40	285.00 270.00
White	**Close**	**Previous**	**High/Low**
Mar	391.50	373.00	391.00 370.60
May	391.50	374.00	388.00 371.80
Aug	395.00	379.50	394.00 378.00
Oct	368.50	355.00	367.50 352.20
Dec	355.00	343.00	341.00
Mar	354.00	342.50	356.00 344.80

Turnover: Raw 4495 (838) lots of 50 tonnes. White 1408 (546)
Paris- White (FFr per tonne): Mar 2280, May 2281, Aug 2350, Oct 2200, Dec 2100, Mar 2105.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Feb	21.70	20.81	21.72 21.15
Mar	20.95	19.90	20.96 20.50
Apr	20.34	19.47	20.36 20.00
IPE Index	20.52	20.25	

Turnover: 11109 (5690)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jan	237.00	224.25	237.00 229.00
Feb	214.50	206.00	215.00 212.00
Mar	194.25	189.25	196.50 192.25
Apr	183.00	178.25	184.25 182.00
May	178.25	170.00	178.25 176.50
Jun	175.00	169.00	175.00 173.00

Turnover 11313 (5905)lots of 100 tonnes

WOOL

WOOL SALES are in recess until next week. World prices are therefore largely unchanged. In view of heavy floor price buying in the main Australian market there is no reason to expect price movement for a very long time ahead, except if the Australian currency itself depreciates. This emphasises the tendency to trade hand-to-mouth in the UK industry and elsewhere. Some firms are working below capacity and practically all find margins under pressure. Sterling's recent depreciation against Europe is noted as a helpful development though little improvement in business is indicated yet.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 15,025 tonne
Cash	1649-51	1631-3	1655/1638	1638-9		
3 months	1650-1	1634-5	1651/1637	1640-1	1650-1	32,690 lots
Copper, Grade A (£ per tonne)						Ring turnover 51,350 tonne
Cash	1530-2	1489-90	1537/1502	1502-3		
3 months	1535.5-6	1499-500	1543/1507	1510-1	1542-3	65,763 lots
Lead (£ per tonne)						Ring turnover 7,625 tonne
Cash	436-7	444-6	445/444	444-4.5		
3 months	432-3	440-1	444/431	439-40	434-5	10,051 lots
Nickel ($ per tonne)						Ring turnover 1,740 tonne
Cash	7875-8025	7875-900	7800	7790-810		
3 months	7750-75	7625-50	7750/7500	7640-50	7750-75	6,385 lots
Tin ($ per tonne)						Ring turnover 645 tonne
Cash	6725-35	6750-70	6720	6719-20		
3 months	6840-50	6870-90	6860/6830	6830-50	6860-5	6,127 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 25,450 tonne
Cash	1360-5	1320-5	1365/1360	1362-3		
3 months	1310-2	1282-4	1315/1290	1310-2	1310-5	14,979 lots
Zinc ($ per tonne)						Ring turnover 6,950 tonne
Cash	1370-80	1310-20	1370	1370-5		
March 30	1310-20	1250-60		1295-305		1,374 lots

LME Closing £/$ rate: SPOT: 1.6100 · 3 months: 1.5844 · 6 months: 1.5570 · 9 months: 1.5376

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	203.2	208.0	207.0 203.0
May	226.0	232.0	230.0 229.0

Turnover 294 (62) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Feb	139.00	138.50	139.00
Aug	138.10		139.10
Oct	137.00		137.00

Turnover 124 (15) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Jan	1660	1663	1660 1655
Feb	1688	1692	1686 1680
Apr	1687	1692	1690 1680
Jul	1424	1423	
Oct	1513	1533	
BFI	1602	1599	

Turnover 200 (120)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Jan	114.25	114.10	114.40 114.20
Mar	118.10	118.10	118.20 118.00
May	121.90	121.70	122.00 121.90
Barley	**Close**	**Previous**	**High/Low**
Jan	111.60	111.20	111.80 111.40
Mar	113.85	113.85	113.85 113.85
May	115.50	115.30	115.50 115.30

Turnover: Wheat 173 (98). Barley 57 (18). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	107.5		107.0
Apr	108.0	108.5	107.0

Turnover 10 (0) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	394¼-394¾	244½-245
Opening	396¼-396¾	246½-247
Morning fix	396.30	245.767
Afternoon fix	395.00	244.585
Day's high	397¼-397¾	
Day's low	394-394½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	403-408	250-253
Britannia	403-408	250-253
US Eagle	403-408	250-253
Angel	403-408	250-253
Krugerrand	394-397	244-246
New Sov.	93-95	57½-58½
Old Sov.	93-95	57½-58½
Noble Plat	481.30-488.95	298.95-303.70
Silver fix	**p/fine oz**	**US cts equiv**
Spot	320.05	516.00
3 months	331.75	528.45
6 months	343.90	537.40
12 months	368.40	568.10

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1550	110	117	8	25
1650	44	59	42	64
1750	12	25	107	137
Copper (Grade A)	**Calls**		**Puts**	
2350	140	142	47	92
2450	85	96	90	143
2550	47	62	150	205
Coffee	**Mar**	**May**	**Mar**	**May**
600	80	77	5	10
650	29	44	27	27
700	9	29	57	62
Cocoa	**Mar**	**May**	**Mar**	**May**
550	75		3	
600	39	58	16	24
650	15	32	42	46
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
2000		101	32	63
2050	6	72	49	
2100	61	51		

US MARKETS

A firm U.S. Dollar again kept the gold, silver and platinum markets weak, reports Drexel Burnham Lambert. Gold and platinum futures posted the biggest declines after brisk trading. Silver eased from spillover selling. Fund buying pushed copper up 345 basis March. In the softs, sugar prices soared 120 basis March closing at 1422. News of the U.S. increasing import quotas and Mexico tender business prompted heavy buying. Coffee was also higher from speculative and overseas buying. Cocoa slipped due to some speculative liquidation. The grains had higher soybean prices due to increased commercial activity. Corn and wheat had slow sessions. Orange juice futures featured very choppy trade. Profit taking sank prices early, but the market recovered to close up for the sixth straight session. Scattered short covering helped cotton futures gain. The energy complex remained strong on heavy technical action. Crude, heating oil and gasoline spreads were heavily traded as well.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	394.0	398.5	393.0	393.0
Feb	396.4	402.1	399.0	394.8
Mar	396.7	404.5	402.5	397.0
Apr	401.3	407.1	404.0	399.5
Jun	406.1	411.9	409.0	404.2
Aug	410.5	416.3	414.0	410.0
Oct	415.2	420.9	414.8	414.6
Dec	420.0	425.6	422.0	418.5
Feb	425.0	430.6	425.8	425.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	469.5	474.2	476.0	464.5
Apr	478.1	482.2	485.0	473.0
Jul	483.2	487.4	489.0	480.0
Oct	488.2	493.9	490.0	486.0
Jan	495.2	499.9	493.9	493.9

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	515.1	518.3	517.5	512.0
Feb	517.9	521.2	0	0
Mar	522.0	525.3	526.0	517.5
May	529.8	533.0	533.0	528.5
Jul	537.5	540.7	540.0	534.0
Sep	545.5	548.6	546.0	541.0
Dec	556.6	559.7	560.0	552.5
Jan	560.1	563.1	0	0
Mar	568.2	571.1	568.0	566.0
May	575.9	578.8	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 3	Jan 2	mnth ago	yr ago
1811.2	1806.4	1827.6	1987.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan 2	Dec 29	mnth ago	yr ago
Spot	127.12	127.44	129.77	145.96
Futures	128.90	129.37	130.77	142.89

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	110.05	106.80	109.95	109.95
Feb	109.90	106.70	109.85	108.10
Mar	109.55	106.20	109.80	106.70
Apr	108.75	105.50	108.50	106.30
May	107.85	104.80	108.00	105.80
Jun	107.20	104.30	0	0
Jul	106.55	103.85	106.60	105.20
Aug	105.90	103.40	0	0
Sep	105.25	102.90	0	0
Oct	104.75	102.40	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	23.50	22.88	23.80	23.03
Mar	22.81	22.41	23.05	22.46
Apr	22.33	22.03	22.64	22.05
May	21.90	21.64	22.10	21.69
Jun	21.64	21.30	21.88	21.30
Jul	21.20	20.98	21.31	20.98
Aug	20.98	20.69	21.00	20.72
Sep	20.69	20.47	20.72	20.45
Oct	20.50	20.34	20.64	20.31
Nov	20.39	20.27	20.46	20.17

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	7770	7789	7850	7580
May	5885	5824	5900	5780
Jun	5700	5669	5750	5680
Jul	5715	5614	5715	5610
Aug	5738	5659	5788	5675
Sep	5800	5744	5800	5750

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	912	929	934	905
May	911	934	939	908
Jul	930	948	950	928
Sep	946	966	969	943
Mar	988	1005	1005	985
May	1000	1013	1000	1000

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	81.75	80.58	82.25	80.80
May	83.74	82.52	84.15	82.90
Jul	85.73	84.60	86.00	85.00
Sep	87.80	86.50	88.00	86.80
Dec	90.65	89.55	91.00	89.80
Mar	93.00	91.75	93.00	93.00
May	94.50	93.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.22	13.02	14.25	12.98
May	14.09	13.07	14.12	13.05
Jul	13.42	12.98	13.42	12.88
Oct	13.21	12.71	13.21	12.68
Mar	12.75	12.25	12.75	12.40
May	12.67	12.17	0	0
May	12.17	12.22	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	69.10	68.34	69.14	67.80
May	69.63	68.65	69.65	68.00
Jul	69.55	68.55	69.60	68.05
Oct	65.70	64.76	65.70	64.50
Dec	64.10	63.56	64.30	62.90
Mar	65.10	64.20	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	172.05	170.25	174.90	166.00
Mar	175.25	168.05	178.05	166.50
May	175.00	167.00	175.00	166.00
Jul	174.70	166.10	176.10	166.75
Sep	173.05	167.00	174.00	167.00
Nov	171.25	166.25	171.00	164.50
Jan	165.50	163.50	163.00	162.00
Mar	165.50	163.50	0	0
May	165.50	163.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	567/2	561/2	569/0	559/0
Mar	581/4	575/6	582/2	574/0
May	594/6	590/0	595/4	587/4
Jul	607/0	602/2	607/4	600/4
Aug	609/6	605/6	609/6	604/0
Sep	610/4	607/0	610/4	606/0
Nov	616/6	613/4	618/0	612/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	18.64	18.43	18.64	18.37
Mar	19.07	18.87	19.10	18.83
May	19.49	19.32	19.49	19.23
Jul	19.79	19.64	19.80	19.52
Aug	19.85	19.70	19.90	19.67
Sep	19.91	19.85	19.93	19.79
Oct	20.10	19.97	20.15	19.92
Dec	20.25	20.00	20.28	20.10

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	180.0	179.7	180.5	178.4
Mar	180.3	179.8	180.9	178.8
May	180.9	179.7	181.2	179.0
Jul	183.1	181.9	183.2	181.3
Aug	183.8	182.7	183.8	182.4
Sep	184.5	183.7	184.8	183.5
Oct	185.5	184.8	186.0	184.5
Dec	186.0	187.5	188.5	188.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	238/4	237/6	238/4	237/0
May	244/4	243/6	244/4	243/0
Jul	249/0	248/0	249/0	247/0
Sep	247/2	245/4	247/4	245/2
Dec	247/0	245/4	247/0	244/2
Mar	253/4	251/4	253/4	250/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	410/0	408/6	410/2	407/0
May	368/6	367/2	369/0	365/6
Jul	360/6	359/6	360/6	358/2
Sep	366/0	364/4	366/0	363/6
Dec	376/0	375/4	376/4	375/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	77.15	77.45	77.20	76.60
Apr	75.35	75.82	75.72	75.15
Jun	71.65	72.12	72.10	71.57
Aug	71.05	71.35	71.30	70.90
Oct	71.07	71.20	71.20	70.85
Dec	72.15	72.20	72.25	72.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	49.00	48.72	49.20	48.40
Apr	45.72	45.22	45.80	44.92
Jun	48.95	48.55	49.00	48.30
Jul	48.30	48.80	48.35	48.57
Aug	47.72	47.85	47.75	47.35
Oct	43.57	43.30	43.65	43.25
Dec	45.20	45.00	45.50	44.70

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	49.47	49.95	50.05	49.35
Mar	49.40	49.95	49.92	49.20
May	49.80	51.02	51.05	49.25
Jul	50.42	51.25	51.50	50.32
Aug	49.90	50.20	50.50	49.10

LONDON STOCK EXCHANGE

New FT-SE peak in higher turnover

THE FOOTSIE Index raced through to new all-time peaks yesterday, as the strength of Wall Street and brighter views of the economic outlook provided the final trigger for a buoyant London market.

A significant increase in Seaq trading volume signalled the presence of the investment institutions, although share prices were also pressured upwards by a severe squeeze on marketmakers' positions. Some stocks in the building sector, where marketmakers have trimmed books particularly closely, were almost "non-tradeable" according to one dealer.

The FT-SE Index moved quickly above its previous trading highs on the back of the record level reached overnight by the Dow Average. On the domestic scene, equities were encouraged by a relatively optimistic survey of market forecasters published by the Financial Times, indicating that the UK may successfully avoid recession this year.

Account Dealing Dates			
*First Dealings:	Dec 27	Jan 15	Jan 29
Option Declarations:	Jan 11	Jan 25	Feb 8
Last Dealings:	Jan 12	Jan 26	Feb 9
Account Day:	Jan 22	Feb 5	Feb 19

*New time dealings may take place from 9.00 am two business days earlier.

After a slight pause when Wall Street hesitated at the opening of the new session UK shares improved again to close near the best of the day.

The final reading showed the FT-SE Index 29.6 points ahead at 2,463.7, comfortably clear of the previous trading high of 2,455.2.

Turnover was more difficult to assess. Seaq volume jumped to 641.8m shares, treble recent daily figures and not far from the 700m-800m range regarded as a bull market performance. Traders said that both investment funds and private buyers had been active.

But the big battalions had difficulty buying the amount of stock they required, and often had to be content with taking up lines of shares offered by brokers who knew where stock was to be found. Institutions trying to buy shares in the market soon found prices moving up smartly before they could complete their buying orders.

Few fund managers are willing to sell shares at the moment, and such lines of stock as appear are very quickly snapped up by eager buyers. The successful performance by equities over the usually quiet Christmas/New Year break, has heightened managers' nervousness of being left behind.

Action was highly selective with many stocks driven higher in very thin turnover. Marketmakers' trading positions have been kept very tight and yesterday – "there was a distinct smell of burnt bears about," said one experienced trader. "RMC, for one, was virtually untradeable."

The London market was helped on its way by another strong performance by stocks in Frankfurt as well as on some other European bourses. But UK equity traders are slightly apprehensive ahead of today's return to trading in the Tokyo market after the holiday closure.

FINANCIAL TIMES STOCK INDICES

	Jan 3	Jan 2	Dec 29	Dec 28	Dec 27	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	84.16	84.20	84.29	84.16	84.26	86.80	89.29 (8/2/89)	82.93 (4/12/89)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.84	92.74	92.52	92.53	92.67	95.93	99.59 (15/3/89)	92.02 (8/12/89)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1968.3	1934.1	1916.6	1896.2	1896.9	1459.6	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	308.9	309.5	309.1	314.9	311.1	162.1	317.8 (13/12/89)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2463.7	2434.1	2422.7	2398.8	2395.8	1793.0	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.34	4.41	4.45	4.50	4.50	5.04				
Earning Yld %(full)	10.60	10.79	10.90	11.01	11.02	12.73				
P/E Ratio(Net)(☆)	11.42	11.22	11.11	10.99	10.98	9.48				
SEAQ Bargains(5pm)	44,222	32,559	25,347	27,151	17,917	20,732				
Equity Turnover(£m)†	-	546.66	668.38	793.69	416.04	739.89				
Equity Bargains†	-	29,711	28,910	27,692	18,330	21,929				
Shares Traded (ml)†	-	255.8	323.5	383.7	203.6	345.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.37

Ordinary Share Index, Hourly changes — Day's High 1968.5 — Day's Low 1945.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1950.9	1958.0	1961.9	1963.6	1964.0	1964.0	1962.2	1966.4

FT-SE, Hourly changes — Day's High 2466.2 — Day's Low 2445.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2451.3	2457.2	2461.2	2463.4	2462.8	2462.8	2461.0	2463.7

GILT EDGED ACTIVITY

Indices*	Jan 2	Dec 29
Gilt Edged Bargains	58.9	42.0
5 – Day average	45.3	46.0

*SE Activity 1974. †Excluding Intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	2,500	210½	+8½	Comm. Union	1,400	521	-6	Lloyds Bank	1,600	454	+2	Sears	2,400	117	+5
ASDA Group	4,200	120	+3	Cookson	1,300	302	+19	LASMO	681	587	+3	Sedgwick	1,300	310	-1
Abbey National	5,400	187	+6	Courtaulds	1,800	398	+10	Lonrho	1,800	321	+2	Shell Transport	4,100	496	
Allied – Lyons	1,700	502	+2	Dalgety	674	407	+3	Lucas	690	684	+19	Siebe	308	482	+16
Amstrad	7,500	49	+3	Dixons	499	138	+1	MB Group	3,872	219	+10	Slough Ests	383	330	
Argyll Group	1,600	211	+1	Eng. China Clays	1,000	459	+6	MEPC	756	539		Smith (W.H.) A	674	383	+10
Ass. Brit. Foods	246	418		Enterprise Oil	378	656	+1	Marks & Spencer	5,600	213	+8	Smith & Nephew	4,300	135½	+2
BAA	1,000	368	+8	FKI	2,400	92	+2	Maxwell Comm.	1,100	227	+4	SmKl Beecham	2,000	625	+11
BAT Inds.	732	846	+2	Ferranti	1,500	30½	+1½	Mecca Leisure	1,400	169	+2	SmKl Beecham Units	322	2781	+66
BET	1,600	271	+8	Fisons	1,000	346	-1	Midland Bank	1,900	388	-11	Smiths Inds	935	285	+3
BICC	699	485	+12	Gen. Accident	327	1218	-18	NatWest Bank	4,900	354	+4	Standard Chartd.	2,400	549	+7
BOC	372	583	+5	General Elect.	6,000	238	+10½	Next	2,300	94	+8	Storehouse	2,200	116	+6
BPB Inds.	756	256		Glaxo	3,587	805	+10	Northern Foods	138	331	+1	Sun Alliance	1,600	345	
BTR	6,100	470	+3	Globe Inv.	3,100	188	+3	Pearl	3	689		Sun Life	32	1268	+15
Barclays	2,500	578	+7	Glynwed Int.	764	277	+14	Pearson	416	772	+3	T&N	1,000	221	+8
Bass	975	1064	+2	Granada	483	337	+1	P & O	1,100	660	+10	TI Group	1,500	440	+9
Beazer	1,900	174	+3	Grand Met.	2,300	644	+4	Pilkington	3,800	254	+9	TSB	3,700	128½	+½
Berisford Int.	454	147	+1	GUS A	155	1098	+15	Polly Peck Intl.	6,650	419	+24	Tarmac	2,500	260	+2
Blue Arrow	1,200	91	+1½	GRE	887	254	-7	Prudential	2,100	239	+4	Tate & Lyle	2,300	294	+4
Blue Circle	2,800	267	+8	GKN	87	456	+9	RHM	240	420	-2½	Taylor Woodrow	1,500	319	-1
Boots	7,000	291	+17	Guinness	2,800	674	-10	RMC	389	735	+21	Tesco	2,700	195	-2
Brit. & Comm.	1,500	99		Hammerson 'A'	57	849	+1	RTZ	2,700	596	+11	Thames Water	5,800	166	+5
Brit. Aerospace	1,300	597	-7	Hanson	1,600	235	+6½	Racal	3,800	257	+11	THORN EMI	799	800	+21
British Airways	5,500	236	+4	Hanson Warrants	3,100	61	+3	Racal Telecom	1,100	476	+5	Trafalgar House	3,400	368	+19
British Gas	4,087	241½	-1½	Harrisons Cros.	1,000	173	+4	Rank Org.	318	887	+22	Trusthouse Forte	2,000	315	+5
British Land	233	389	-3	Hawker Sidd.	358	729	+15	Reckitt & Colman	83	1284	+7	Ultramar	2,300	377	+5
BP	5,700	339		Hillsdown	1,900	295	+4	Redland	1,200	595	+14	Unigate	459	356	-1
British Steel	10,000	143½	+6	IMI	911	238	+11	Reed Intl.	1,300	448	+2	Unilever	1,100	732	
British Telecom	3,250	314½	+2	ICI	1,900	1177	+39	Reuters	1,190	1022	+6	United Biscuits	1,500	370	+8
Bunzl	2,300	115	+8	Inchcape	516	318	+3	Rolls Royce	6,850	193	+8	Utd. Newspapers	62	469	+2
Burmah Oil	342	693		Jaguar	33	849	+1	Rothmans	488	878	+6	Wellcome	488	785	+2
Burton	3,900	221	+14	Kingfisher	405	313	+8	Ryl Bk Scotland	1,800	218	+3	Whitbread 'A'	2,150	395	+4½
Cable & Wire.	2,100	570	+13	Ladbroke	1,800	342	+2	Royal Insurance	2,400	558	-17	Williams Hldgs.	2,700	279	+10
Cadburys	4,200	359	+12	Land Securities	780	597	+4	STC	5,900	264	+17	Willis Faber	1,300	294	+12
Calor Group	48	413	-5	Laporte	186	496	+3	Saatchi	634	271	+4	Wimpey	555	253	+1
Carlton Comms.	1,100	809	+14	Legal & General	783	432	+7	Sainsbury	2,390	269	+4				
Coats Viyella	764	149	+5	Lloyds Abbey	450	325	+6	Scottish & New.	2,300	355	+2				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Market doubts on STC hint

STC was among the biggest movers in a busy electronics sector as the market responded to a revival of rumours that the group had sold a stake in ICL, its computer mainframe subsidiary.

Market speculation suggested that STC had sold a 25 per cent interest in ICL to Fujitsu, the Japanese group which supplies microprocessors to ICL, for £250m and had given Fujitsu an option to acquire a further 25 per cent. Another angle to the story was that Olivetti, the Italian company, was also interested in a deal over ICL.

STC said that its policy was "not to comment on specific market rumours," but added that they do have a strategy to find suitable partners for their businesses.

Analysts were generally sceptical about this latest bout of speculation -"These stories have been going on for many months, and I'm sure they will reappear from time to time until a deal does materialise – but it could well be some time in the future," said one specialist. Marketmakers were equally cautious about the stories with one dealer taking the view that the rise in the shares was no more than a necessary correction in a share price that has been depressed for too long.

STC shares advanced strongly to touch 367p at one point, before easing back and subsequently closing a net 17 higher at 264p. Turnover expanded rapidly to 5.9m shares, well up on usual levels.

Abbey wanted

Abbey National shares continued their strong performance, closing at a record 187p, a net gain of 6, after turnover of a good 5.4m shares. Abbey shares were floated in the summer at 130p a share, and have been one of the stockmarket's best performers over the past two months.

The latest boost for the share price came from UBS Phillips & Drew which was a big buyer of the stock yesterday.

Dr John Wriglesworth, of the UBS banking team, labelling the shares a strong buy, said he "expects the stock to move up to around the 210p level by the year-end on the back of the housing market recovery which will be fully expected at that time."

He reiterated Abbey National's strengths, saying that the group would prove resilient because of its strong balance sheet and emphasised the lack of any LDC and domestic provisioning needs, unlike other high street banks.

Boots active

A late spurt in hectic trading in Boots left the shares sharply higher and set dealers' tongues wagging. The most popular story was a revival of the theory that Hanson was about to bid for Boots. It was followed some way behind by an even older chestnut that ICI would buy the company's pharmaceutical business.

More thoughtful marketmakers dismissed these ideas. They said that one dealer had sold a large block of shares and tried to buy them back immediately from other dealers. "Panicky bear closing," said one dealer.

Turnover was an exceptionally good 7m shares, including a block of 1m in the last hour of trade. The shares jumped 10 between that deal and the close of business, leaving them 17 better on balance at the day' peak of 291p.

Midland Bank were a lone weak spot in the banking area with the shares closing 11 lower at 388p in relatively thin turnover of 1.9m. Dealers said the shares were upset by worries that the Bond Corporation affair could delay an eventual merger of Midland with Hongkong & Shanghai Banking Corporation which has made extensive loans to the Bond group. "Putting the alliance in jeopardy puts the Midland share price in jeopardy," said one dealer. First National Finance slipped 4 to 239p after revealing preliminary profits below expectations.

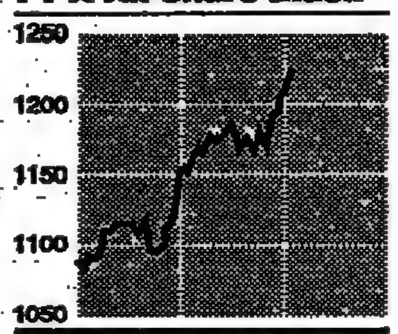
The merchant banks provided a handful of outstanding features. The boost to market turnover and hopes of more big bids in the pipeline triggered demand for SG Warburg, which added 20 to 495p, albeit in a very tight market.

But composites continued their decline, Royals dipping 17 to 558p on 2.4m shares. General Accident lost 18 to 1218p and Guardian Royals 7 to 254p.

The water stocks continued their strong run with turnover well up on recent high levels and said by dealers to have been boosted by a sharp increase in switching activity by institutions.

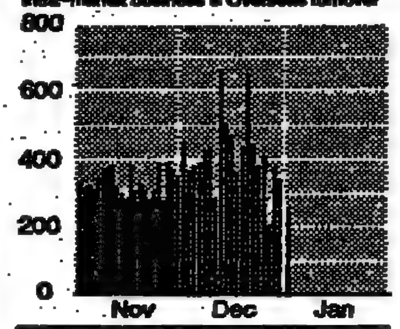
Severn Trent, which announced an engineering joint venture with Acer Engineering yesterday, attracted turnover of 11m, leaving the share price 6¼ ahead at 151p. Some 7.6m shares in North West changed hands, with the stock closing 7 firmer at 161p. Thames Water, newly installed in the FT-SE 100-share index, added 6 at 166p on 5.8m shares. Wessex rose 7 to 178p on 2.1m while the Water Package put on 35 points to £1650.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Stores shares advanced across the board with renewed vigour. The sector has been weak for several months on uncertainty over the depth of any recession this year. News yesterday that the consensus of analysts was that recession would be avoided combined to reverse sentiment with better than expected sales figures from individual retailers for Christmas period.

The City's two favourite retailers, Marks & Spencer and Body Shop, climbed 8 to 213p and 40 to 644p respectively. Others, frowned upon a matter of days ago, put in sterling performances. Burton addded 14 at 221p, Sears improved 5 to 117p and Storehouse 6 to 116p. USM-quoted Sock Shop jumped 9 to 79p and Etam rose 16 to 185p, helped, said dealers, by bullish comment from a leading agency broker.

The food retailers traded cautiously as dealers waited for further sales reports from the Christmas period. Analysts said initial talks with the companies suggested that Sainsbury and Tesco had recorded the best sales. Sainsbury rose 4 to 269p, while Tesco weakened 2 to 195p, despite its denial that it was not bidding for French retailer, Genty Cathiard. Dealers said there was a suspicion that Tesco remained on the acquisition trail and it needed to expand out of its core market areas.

Polly Peck was actively traded following positive press comment. It closed 24 higher at 419p. Iceland Frozen Foods dropped 2 to 277p after County NatWest WoodMac changed its recommendation from "buy" to "hold." The food manufacturing sector shared in the wider market's rally, with some investors favouring Cadbury Schweppes, which gained 12 to 359p. The belief that Cadbury's could be set for further gains prompted buying of call options, which gave a further incentive to the cash market. In addition, favourable press comment swelled its turnover.

Mr John Keele of Charterhouse Tilney said Cadbury had underperformed the FT All-Share Index last year by 20 per cent and "had some catching up to do." But he added that recent downgradings may take some of shine off Cadbury's immediate prospects.

Further strength by sterling against the weakening D-Mark kept Unilever on the defensive and it closed unchanged at 732p. Tate & Lyle remained firm after its recent asset disposal, advancing 4 to 294p. RHM failed to match the optimistic mood of the rest of the market and dealers were at a loss to explain why. It closed 2½ lower at 420p.

British Airways were helped again by Tuesday's comment from BZW that the shares warranted a re-rating. They firmed 4 to 236p. Eurotunnel also added to recent advances in anticipation of a resolution, probably next week, of the debate surrounding the refinancing of the building of the Channel tunnel. Dealers noted French buying as the price closed 37 up at 670p. The Eurotunnel Warrants added 6 at 53p.

US interest helped ICI gain 39 to 1187p. The squeeze in Caird Group continued and the shares added 13 to 496p.

Among as host of outstanding features in building materials and construction and housing issues, RMC raced up 21 more to 735p although turnover remained thin. AMEC were 21 higher at 504p, while other big winners included Federated Housing, 10 firmer at 80p and Tilbury Contracting which moved up 32 to 650p.

GEC featured with a 10½ rise to 238p, its biggest single-day gain for many months, on turnover of 6m. Dealers said the shares had responded more to a stock shortage than any fundamental story although GEC did announce job cuts of 700 at its GEC Avionics division in Rochester, Kent.

Amstrad made further progress, the shares touching 51p before settling a net 3 higher at 49p on turnover of 7.5m. A buy note issued by SG Warburg was responsible for the steep rise in Eurotherm, which advanced 17 more to 323p.

Cookson had one of their best days for a long time rising 19 to 302p. Explaining the rise, Mr Andrew Benson at Robert Fleming Securities said: "Cookson's pre-tax profits performance is sensitive to the general economic climate, given the company supplies such a wide range of intermediate manufactures to a broad range of industries and its high level of financial gearing. Bullish market sentiment, fuelled by the recent publications of optimistic economic projections, in combination with recent deals has helped drive the share price higher."

There was "good quality trading" according to a marketmaker, in Pilkington and the shares gained 9 to 254p.

Shares T & N, the motor components and industrial materials group, rose swiftly the shares gaining 8 to 221p as the company announced an out of court settlement of its action against Hill Samuel.

Lucas was one of the star performers among engineers and the combination of a squeeze and continued speculation that it may be a bid candidate lifted the shares 19 to 684p.

Glynwed rose 14 to 227p on talk of a bid for the company from British Steel, which moved with the market adding 6 to 144p as 10m shares were traded.

British Aerospace was among the few FT-SE stocks to weaken against the market trend as the shares continued to be dogged by talk of lower than expected profits from its Rover subsidiary, and the threat of further industrial action, following the company's suspension of 230 workers that refused to work at a plant hit by strike action. The shares gave up 7 to 597p.

New orders and positive sentiment towards the civil aerospace sector helped lift Rolls-Royce. Some 6.7m shares were traded as the price firmed 8 to 193p.

The market digested the news, released after Tuesday's close, that Mr Robert Maxwell had bought a 3.1 per cent stake in De La Rue from an associate company. Mr Maxwell added yesterday that negotiations to buy a stake in BSB, the satellite television service due to be launched in Spring, from Mr Alan Bond, the Australian businessman, were separate from the affairs of his quoted company Maxwell Communications Corporation. The net effect were rises of 4 for both MCC and De La Rue, to 227p and 310p respectively.

Light profit-taking in Guinness led to a glut of the stock and left the shares 10 lower at 674p. One dealer said there was also a line of 1.7m Guinness shares being touted to institutional investors. Another said that the combination of a record high of the FT-SE index with the knowledge that Guinness was the best performer in the FT-SE 100 last year meant the shares would be an early target for profit-takers.

Whitbread was one of the better performers among brewers, rising 4½ to 395p, helped by bullish comment from County NatWest WoodMac. Mr Geoff Collyer at County said that the market had not yet appreciated the benefits from the sale of the wine and spirits division to Allied Lyons just before Christmas. "Whitbread has realised one third of its market capitalisation by selling 10 per cent of its operating profits," he said, adding that the company had increased net asset value beyond £5 a share. The shares are on a 30 per cent discount to the market compared with 23 per cent discount at this time last year, he added.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 20

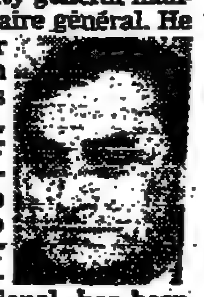
NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (179). BRITISH FUNDS (1) LOANS (2) AMERICANS (8) BANKS (14) BUILDINGS (7) CHEMICALS (4) STORES (8) ELECTRICALS (10) ENGINEERING (2) FOODS (4) HOTELS (1) INDUSTRIALS (20) AAH, Alfa-Laval, Am.Bus.Systems, BTR Wrrnts., Barry Wehmiller, Boxmore Int., CRT, CSR, Dyson (J.& J.), Flexello, Hanson Wrrnts., Hays, Oy Wartsila, Pacific Dunlop, Parkfield, Proudfoot, Ramco Oil, Shiloh, Unilever, Wellcome, INSURANCE (7) LEISURE (2) MOTORS (1) NEWSPAPERS (1) PAPERS (1) PROPERTY (1) SOUTH AFRICANS (4) TEXTILES (1) TRANSPORT (3) TRUSTS (67) OILS (11) OVERSEAS TRADERS (4) MINES (6).
NEW LOWS (16). CANADIANS (1) BUILDINGS (1) STORES (2) INDUSTRIALS (2) Lynx Hldgs., Third Mile Inv., PAPERS (1) PROPERTY (3) MINES (2) THIRD MARKET (3).

APPOINTMENTS

BNP London senior posts

BANQUE NATIONALE de PARIS, London, has appointed Mr Serge Nicolaou *(pictured)* as its new deputy general manager and secrètaire gènèral. He was directeur àl'organisation at BNP Paris headquarters, and replaces Mr Michel Souloumiac who returns to France. Mr Raymond Unamun, a US national, has been appointed deputy general manager, private banking division, covering the Middle East, Africa, and selected European countries. The bank has promoted Mr George Wheeley to assistant general manager, operations and personnel divisions, and Mr Alan Powell to assistant general manager, banking division. BNP is the largest state-owned bank in France.



■ ALLIANCE CAPITAL, UK subsidiary of Alliance Capital Management L.P., Delaware, US, has appointed Mr Norman Bergel as marketing director; Mr Mark H. Breedon as director and portfolio manager, Spain fund; and Mr Joseph C. Williams as director and portfolio manager, Austria fund. Mr Jon R. Gream becomes company secretary and compliance officer.

■ Mr Alan Clark has been appointed purchasing director of JOHN FLEMING & CO (HOLDINGS), Aberdeen. He was purchasing manager.

■ C.E. HEATH (INSURANCE BROKING) has acquired the goodwill of Forshaw Watson, Bolton, which will be merged with the Bolton interests of C.E. Heath (Lancashire). Mr R. Graham Webster will join the board of C.E. Heath (Lancashire).

■ BRASWAY has appointed Mr K.G.L. Webb, managing director of subsidiary Europower Hydraulics, to the main board.

■ THE SAUDI INVESTMENT COMPANY has appointed Mr John Pilley as chairman and chief executive of its London stockbroking subsidiary, Russell Wood. He was a director of Henderson Administration.

■ Mr G. Lynn has been appointed group financial director of THE UNION DISCOUNT COMPANY OF LONDON. He remains a director of Union Discount Co, and other companies in the group.

■ CHANCERY, merchant bankers, has appointed Mr David Sherman as marketing manager for the corporate finance division. Mr Roger Phillips becomes intermediary business development executive. He was national sales manager for NEL Britannia, and will assist Mr Sherman.

■ Mr David Grant has been appointed regional general manager, Africa, at STANDARD CHARTERED, London. He succeeds Mr Willie Hastie who is retiring. Mr Philip Gethin-Jones succeeds Mr Grant as head of the corporate and commercial banking division in Hong Kong. Mr Chris Keljik, formerly area head of treasury in Hong Kong, succeeds Mr Gethin-Jones as general manager, north east Asia, with responsibility for Japan, South Korea and Taiwan. Mr Keljik is currently based in Hong Kong.

■ Mr J.R.L. Lee, MP, has been appointed a non-executive director of PATERSON ZOCHONIS. Prior to entering Parliament in 1979, he was a director of Paterson Zochonis (UK).

■ Mr Gerry Liddle has been appointed group financial director of MICROGEN HOLDINGS. He was general manager, ILS Systems, Holland, and takes over from Mr Brian Shears, who held the post on a caretaker basis, and returns to being company secretary and group financial controller.

■ Mr John Story has been appointed marketing director of SABENA WORLD AIRWAYS, a European carrier formed last month by Sabena (60%), British Airways (20%) and KLM (20%). He will be based in Brussels, and was general manager, Africa, for British Airways.

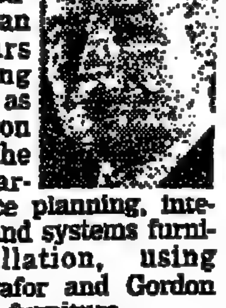
■ Mr John Tipper, Mr Michael Brown and Mr David Wilson have been appointed to the board of TULLETT & TOKYO (EURO CURRENCIES & FORWARDS), a subsidiary of Tullett & Tokyo Forex International.

■ CANDOVER INVESTMENTS, management buy-out specialist, has appointed Mr Jack Warren as associate director. He was regional director, London south west, with 3i.

■ Mrs Helen Palmer has been appointed financial director of MONKS & CRANE. She continues as company secretary, and for the past 18 months has been financial controller.

Design chief

Mr Peter Taylor *(pictured)* has been appointed managing director of IMAGE BY DESIGN, Bedford, less than three years after joining the company as administration manager. The company carries out space planning, interior design, and systems furniture installation, using Steelcase Strafor and Gordon Russell office furniture.



FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	56.27	56.84	60.47	-1.09	4.53
Gilts & Fixed Int	6	108.0	108.0	114.5	-0.36	8.73
High Inc Equity	6	141.0	141.6	150.90	+1.70	4.21
Worldwide Bond	6	207.2	207.2	219.5	-0.20	4.83
Capital Growth						
American Growth	6	204.9	207.0	220.3	+5.20	0.99
Asian Pacific	6	129.3	130.9	139.2	[illegible]	0.93
Assets & Earnings	6	162.4	162.4	179.7	-1.30	2.13
Capital Reserve Acc	0	98.74	98.74	98.91	[illegible]	[illegible]
Capital Reserve Inc	0	78.75	78.75	78.90	-0.10	7.60
Comdty & Energy	6	119.9	119.9	123.33	[illegible]	1.48
Dividend & Growth	6	48.15	48.94	51.96	-0.52	4.33
1992 Enterprise	6	[illegible]	65.33	69.50	[illegible]	[illegible]
Euro Capital Acc	6	102.8	103.4	110.1	-0.50	0.68
Euro Capital Inc	6	98.94	99.73	106.1	-0.50	0.71
General	6	186.1	186.1	199.1	-2.20	2.51
International	6	62.74	63.54	67.60	[illegible]	0.74
Japan	6	125.3	127	135.9	-0.30	0.00
Mastertrust	6	95.65	95.65	102.3	-0.70	1.66
UK Growth Acc	6	164.0	164.0	174.8	-1.20	1.62
UK Growth Dist	6	121.7	121.7	130.2	-1.00	2.44
US Emerging Cos	6	55.65	55.65	59.52	+1.03	0.00
Income & Growth	6	318.3	318.3	340.5	-2.90	3.01
Ethical	6	48.92	48.92	52.33	-0.30	1.91
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5½	34.26	34.33	36.64	-0.73	2.90
European	5½	82.94	83.04	88.65	-0.16	0.00
European Income	5½	79.17	79.17	84.52	[illegible]	1.97
Evergreen	1	806	906	938.9	+3.1	1.54
Extra Income	5½	45.98	45.98	49.05	-0.51	4.02
F East Emerg Ecos	5½	67.07	67.34	72.02	-0.93	0.03
Fund Inv Tst	5	139.7	139.7	149.1	+1.70	1.58
Do Accum	5	219.1	219.1	233.9	[illegible]	1.59
Gilt & Fixed Int	5½	20.32	20.30	21.74	-0.01	11.34
Income & Growth	5½	75.17	75.17	80.22	-0.17	3.42

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Buckmaster Mangmt Co Ltd—Contd.						
International	5	120.4	120.4	127.3	+1.3	1.00
(Accum Units)	5	155.8	165.6	175.1	+1.9	1.00
Smaller Cos	5	105.6	107.2	113.7	+0.8	2.24
(Accum Units)	5	117.2	118.8	126.1	+0.9	2.24
Inv Portfolio	2½	57.54	58.52	60.22	-1.05	3.27
(Accum Units)	2½	59.74	60.74	62.62	+1.10	3.27
High Income Port	5	49.59	50.36	53.18	-0.56	5.66
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sht Dtd Gilt & FI	1¼	55.47	55.47	56.28		12.80
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
F & B Sel Intl Gwth	5½	52.54	52.54	56.32	-0.28	1.33
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	57.20	58.49	62.22	+0.64	2.23
Global Tst	5½	48.79	49.41	52.56	+0.41	2.01
Recovery Tst	5½	48.69	50.07	53.26	+1.11	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn SE1 2QL 01 234 6000						
Growth Fd Acc	5	118.8	120.5	127.1	+1.4	4.11
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 0AH 061 837 5060						
UK Growth	6	108.9	110.5	117.6	+0.9	1.98
UK Income	6	107.5	109.3	116.3	+1.1	4.79
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	67.87	67.87	72.20	-2.10	1.12
CS International	5	62.71	62.71	66.71	-0.26	1.46
CS Japan	5	154.0	154.0	163.8	-0.8	0.35
CS Portfolio Inv	5	72.86	72.86	77.51	+0.41	3.53
Canada Life Unit Tst Mgrs Ltd (1200)F						
High St, Potters Bar, Herts, EN6 5BA 0707 51122						
Can Gen Dist	5	156.3	159.2	167.1	-1.60	2.77
Do Gen Accum	5	264.0	268.8	282.3	-2.60	2.77
Do Income Dist	5	99.71	102.2	107.3	+1.00	5.25
Do Inc Accum	5	234.8	240.9	252.9	+2.60	5.25
Gilt & Fxd Int	5	36.56	36.62	38.45	-0.01	8.35
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876 Dealing 0800 282621						
Growth	5½	38.92	39.64	42.17	+0.19	2.43
Income	5½	49.74	50.87	54.12	+0.23	3.84
Far East	5½	43.22	42.84	45.82	-0.23	0.05

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Nth American	5½	38.77	39.38	41.80	+0.97	1.25
Intl Growth	5½	63.31	64.76	68.74	+0.43	0.73
Gwth & Recovery	5½	52.22	54.05	57.37	+0.62	3.01
Intl Income	5½	54.01	54.78	58.15	-0.1	4.91
High Yield	5½	51.03	51.57	54.74	+0.26	6.87
Charities	5½	95.28	96.18	102.1	+0.6	5.88
Japan	5½	49.92	50.28	53.37	-0.24	—
Matheson Unit Trust Managers Ltd (1200)H						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing 0277 261010						
SE Asia	6	54.54	55.02	58.85	+0.64	2.70
UK Growth	6	66.31	68.00	72.73	+0.59	2.83
UK High Income	6	39.71	40.15	42.94	+0.79	5.75
1 White Hart Yd, London Bridge, SE1 1NX 01-407 5966						
Intl Recovery Acc F	5	43.84	43.84	49.28	+1.27	1.42
Intl Recovery Inc F	5	31.58	31.58	35.50	+0.91	1.42
Mayflower Management Co Ltd (1200)F						
No. 1 London Bridge, London, SE1 9QU 0303 862598						
Income	5	359.0	363.6	386.8	+4.8	4.07
General	5	279.1	282.5	300.6	+3.4	2.57
International	5	157.7	159.1	169.3	+2.2	1.54
Global Inc	5	54.16	54.68	58.17	+0.82	4.21
Medical Investments Ltd (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
Health Fund	5½	52.09	52.09	56.57	+1.58	0.29
Mercury Fund Managers Ltd (1000)H						
33 King William St, EC4R 9AS 01-280 2060						
American Growth	5	136.1	136.3	145.4	+2.20	0.00
(Accum Units)	5	145.0	145.3	155.0	+2.40	0.00
American Income	5	47.17	47.17	50.28	+1.07	2.81
(Accum Units)	5	59.47	59.47	63.39	+1.35	2.81
American Sm Cos	5	60.50	61.23	65.32	+0.59	0.00
(Accum Units)	5	61.33	62.08	66.22	+0.61	0.00
British Blue Chip	5	57.91	58.23	62.12	+0.69	2.32
(Accum Units)	5	61.73	62.09	66.23	+0.75	2.32
European Growth	5	186.5	186.5	198.8	-1.40	0.09
(Accum Units)	5	197.8	197.8	210.9	-1.60	0.09
European Income	5	80.98	80.98	86.20	-0.85	3.88
(Accum Units)	5	92.76	92.76	98.75	-0.97	3.88
General	5	375.5	380.6	406.0	+3.60	2.71
(Accum Units)	5	654.1	663.1	707.3	+6.30	2.71
Gilt	5	80.44	80.44	84.76	-0.32	7.82
(Accum Units)	5	116.0	116.0	122.4	-0.40	7.82
High Income	5	52.18	52.92	56.45	+0.31	4.99
(Accum Units)	5	58.26	59.09	63.03	+0.34	4.99
High Interest	5	40.06	40.06	42.67	-0.01	8.54
(Accum Units)	5	49.12	49.12	52.33	-0.02	8.54
Income	5	118.8	120.6	128.7	+0.80	4.37
(Accum Units)	5	149.5	151.8	162.0	+0.90	4.37
International	5	338.9	338.9	361.0	+2.10	1.70
(Accum Units)	5	438.2	438.2	466.9	+2.70	1.70
Japan	5	214.5	214.5	227.9	-0.80	0.00
(Accum Units)	5	220.2	220.2	234.0	-0.80	0.00

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
(Accum Units)	5½	134.6	136.5	145.6	+1.80	5.30
Intnl	5½	30.99	31.29	33.57	+0.22	0.33
(Accum Units)	5½	43.77	44.19	47.41	+0.31	0.33
Jap Smaller Cos	5½	349.5	354.3	377.9	-0.70	0.00
Sing & Malaysan	5½	133.0	135.1	144.8	[illegible]	0.00
(Accum Units)	5½	138.3	140.5	150.6	+2.00	0.00
Smaller Co's	5½	34.00	34.00	36.55	+0.26	1.29
(Accum Units)	5½	37.27	37.27	40.07	+0.30	1.29
Special Sits	5½	30.06	30.93	33.25	+0.31	0.78
(Accum Units)	5½	32.45	33.38	35.89	+0.33	0.78
Tokyo	5½	97.91	99.00	105.6	-0.40	0.00
(Accum Units)	5½	98.89	100.1	106.7	-0.40	0.00
UK Equity	5½	153.0	155.1	165.4	+1.80	2.78
(Accum Units)	5½	259.2	262.8	280.3	+3.10	2.78
US Smaller Cos	5½	58.42	59.32	63.44	+0.76	0.00
National Provident Inv Mgrs Ltd (1400)H						
48 Gracechurch St, EC3P 3HH 01-623 4200						
NPI American Acc	5	78.34	78.91	83.95	+1.74	1.32
NPI Americas Dist	5	74.26	74.80	79.58	+1.65	1.32
NPI European Acc	5	83.02	84.23	89.61	+0.89	0.40
NPI European Dist	5	81.59	82.74	88.02	+0.88	0.40
NPI Far East Acc	5	138.5	139.7	148.6	+0.30	0.24
NPI Far East Dist	5	138.0	139.1	148.0	+0.30	0.2
NPI O'seas Acc	5	1003.4	1016.0	1080.9	+7.5	1.27
NPI O'seas Dist	5	794.1	804.2	855.5	+5.90	1.27
NPI UK Acc	5	511.0	520.0	553.2	+4.60	3.21
NPI UK Dist	5	292.3	297.5	316.5	+3.80	3.21
NPI W'wide Acc	5	87.55	89.50	95.21	+1.23	0.89
NPI W'wide Dist	5	84.40	86.28	91.79	+1.19	0.89
Norwich Union Tst Managers (1200)H						
PO Box 124, 51/59 Rose Lane, Norwich 0603 682234						
Master Trust	6	101.96	101.96	108.46	+1.08	2.27
UK Equity	6	103.09	104.75	111.40	+1.57	2.89
UK Equity Income	6	100.83	102.59	109.14	+1.69	4.66
UK Smaller Co's	6	90.50	94.40	100.43	+0.64	2.44
UK Equity Growth	6	98.80	100.79	107.22	+1.46	2.51
UK Index Tracking F	6	105.52	106.40	113.19	+0.58	3.95
International	6	174.64	176.65	187.93	+1.86	0.57
European	6	144.56	146.73	156.10	+0.69	0.52
Nth American	6	117.77	118.90	126.49	+2.23	1.73
Nth Amer Smllr Cos	6	93.03	94.56	100.60	+0.74	0.00
Japanese	6	102.47	104.02	110.66	-0.40	0.00
Pacific	6	154.65	156.53	166.52	+0.67	0.83
South East Asian	6	110.46	112.41	119.59	+1.80	2.10
International Bond	6	100.92	101.26	107.72	+0.08	7.16
Gilt & Convertible	6	94.23	94.77	100.82	-0.42	8.21
PK English Trust (Inv Man) Ltd (1000)F						
12 Carthusian St, London EC1M 6EB 01-796 1200						
American*	4	64.03	64.45	67.25	—	0.0
Far Eastern*	4	196.35	200.56	208.58	—	0.1
Growth†	4	200.51	202.99	215.69	+3.82	3.3
Income†	4	148.22	150.06	159.67	+1.23	5.4
Scandinavian*	4	74.30	76.02	79.07	+1.05	0.3

† Dealing Day: Wed. *Dealing day: Thurs.

GUIDE TO UNIT TRUST PRICING

[illegible]

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

هكذا اصل الأصل

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1989/90 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
134⅞	124	Treas 2pc IL '90(84.6)	134⅝xd	.....	2.09	9.98
99⅝	98⅛	Exch 11pc 1990‡‡	99⅛	.....	11.06	14.97
101⅛	99⅛	Exch. 12½pc 1990	99⅜	−⅛	12.57	14.81
97	91⅝	Treas. 3pc 1990	97	+⅛	3.10	12.37
97¾	95⅝	Treas 8¼pc 1987–90‡‡	97⅞	+⅛	8.45	13.89
98¾	95¼	Treas. 8pc Cv 1990 ‡‡	97⅜xd	+⅛	8.23	13.81
98⅞	96⅛	Treas. 10pcCv 1990	96¾	.....	10.31	14.01
93⅞	87⅞	Exch 2½pc 1990	93⅛	+⅛	2.68	10.76
101⅞	98⅛	Treas 11¾pc 1991	98⅛xd	.....	11.96	13.66
93⅜	89⅞	Funding 5¾pc '87–91‡‡	93⅛	+⅛	6.17	11.82
90⅞	86⅛	Treas. 3pc 1991	90⅞	+⅛	3.30	10.46
100⅛	95⅛	Treas 10pc Cv '91 ‡‡	96⅛xd	+⅛	10.42	13.02
101⅛	96⅞	Exch. 11pc 1991	97⅛	+⅛	11.32	12.79
94⅛	91⅛	Treas 8pc 1991	92⅛	+⅛	8.68	12.70
106⅛	100⅛	Treas 12¾pc 1992‡‡	100⅞xd	−⅛	12.64	12.29
99½	95⅞	Treas 10pc 1992	95⅞	−⅛	10.44	12.27
94⅛	90⅞	Treas. 8pc 1992 ‡‡	91⅛	−⅛	8.73	12.22
100¾	96⅛	Treas 10½pc Cv 1992‡‡	97⅛	.....	10.82	11.97
85⅝	82¼	Treas. 3pc 1992	84¼	.....	3.54	10.26
105⅞	99⅞	Exch. 12¼pc '92	100⅛	.....	12.20	12.02
109¾	103⅛	Exch 13½pc 1992	103⅛	−⅛	13.02	11.85
94⅛	90⅞	Treas 8¼pc 1993	91⅛	−⅛	9.05	11.68
100⅞	95⅛	Treas 10pc 1993‡‡	96⅛	−⅛	10.42	11.49
108¼	101⅞	Treas 12½pc 1993‡‡	102⅞xd	.....	12.17	11.56
88⅛	84⅞	Funding 6pc 1993‡‡	85⅞	.....	6.99	10.74
113¾	106⅞	Treas 13¾pc 1993‡‡	107⅛	−⅛	12.85	11.45
94¾	89⅞	Treas 8½pc 1994	90⅝xd	.....	9.38	11.45
117⅞	109⅞	Treas 14½pc 1994‡‡	110⅞	−⅛	13.10	11.21
113⅞	106⅛	Exch 13½pc 1994	107⅛	−⅛	12.61	11.36
100⅛	94⅞	Treas. 10pc Ln. 1994‡‡	95⅞	−⅛	10.42	11.18
110¼	102⅞	Exch. 12¼pc 1994	104⅛	−⅛	12.02	11.34
96⅞	91⅛	Treas 9pc 1994‡‡	92⅛	−⅛	9.77	11.14
		Five to Fifteen Years				
108⅞	101⅞	Treas 12pc 1995	102⅞xd	−⅛	11.66	11.23
79⅝	72	Exch 3pc Gas 90–95	76½	.....	3.93	8.65
101⅞	95⅛	Exch. 10¼pc 1995	96⅛xd	−⅛	10.62	11.11
113⅞	106⅞	Treas 12¾pc 1995‡‡	107⅞	−⅛	11.86	10.98
119⅞	110⅞	Treas. 14pc '96	112⅞xd	−⅛	12.49	11.20
97½	90⅛	Treas. 9pc 1992–96‡‡	91⅞	.....	9.82	10.88
126⅞	117⅛	Treas 15¼pc 1996‡‡	118⅞	−⅛	12.83	11.01
117⅛	108⅞	Exch 13¼pc 1996‡‡	110⅛	−⅛	12.01	10.95
101⅛	94½	Conversion 10pc 1996	96	+⅛	10.42	10.84
118⅛	109⅛	Treas 13¼pc 1997‡‡	111⅛xd	−⅛	11.89	10.89
104⅛	96⅞	Exch 10½pc 1997	98½	−⅛	10.67	10.81
95⅞	88⅞	Treas 8¾pc 1997‡‡	90½	−⅛	9.68	10.60
128⅝	118⅛	Exch 15pc 1997	120⅞	−⅛	12.47	11.05
100⅞	93⅛	Exch. 9¾pc 1998	95⅛xd	−⅛	10.25	10.67
84⅞	78⅝	Treas 6¾pc 1995–98‡‡	80⅞	.....	8.37	10.26
134⅞	123⅞	Treas. 15½pc '98‡‡	125⅞	−⅛	12.23	10.85
113⅞	105	Exch. 12pc 1998	106⅞	−⅛	11.23	10.77
100¼	92⅞	Treas 9½pc 1999‡‡	94¾xd	−⅛	10.02	10.40
115⅞	106⅞	Exch. 12¼pc 1999	108⅝	−⅛	11.28	10.75
105⅝	97⅞	Treas. 10½pc 1999	99⅛	−⅛	10.59	10.64
104⅛	96	Conversion 10¼pc 1999	97¾	−⅛	10.49	10.62
94⅞	86⅞	Treas. 8½pc Ln 2000‡‡	88⅞xd	−⅛	9.59	10.35
97⅛	89⅞	Conversion 9pc 2000‡‡	91⅛	−⅛	9.83	10.36
122⅞	112	Treas. 13pc 2000	114⅛xd	−⅛	11.41	10.75
103⅝	95⅛	Treas 10pc 2001	96⅞	−⅛	10.32	10.46
124⅞	114⅝	Treas. 14pc '98–01	116⅜	−⅛	12.02	10.94
102⅞	93¼	Conversion 9¾pc 2001	95½	−⅛	10.22	10.43
113⅞	104⅞	Exch. 12pc '99–02	106⅝xd	−⅛	11.25	10.81
104⅞	95⅞	Conversion 10pc 2002	97⅛	−⅛	10.28	10.39
102⅞	94	Treas 9¾pc 2002	95⅞	−⅛	10.20	10.37
97⅛	89⅛	Exch. 9pc 2002	91⅛	−⅛	9.91	10.30
126⅞	116⅛	Treas. 13¾pc 2000–03	118⅛xd	−⅛	11.62	10.81
105⅞	96⅞	Treas 10pc 2003	98½	−⅛	10.17	10.22
113⅞	103⅞	Treas. 11½pc 2001–04	105⅝	−⅛	10.89	10.62
106⅞	96⅞	Treas. 10pc 2004	98⅞	−⅛	10.14	10.18
59⅞	54⅛	Funding 3½pc '99–04	56xd	.....	6.28	9.03
102⅞	93½	Conversion 9½pc 2004	95½	−⅛	9.97	10.11

BRITISH FUNDS—Contd

1989/90 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		Over Fifteen Years				
103⅛	93⅝	Conversion 9½pc 2005	95⅛	−⅛	9.95	10.08
111⅛	101½	Exch. 10½pc 2005	103⅛	−⅛	10.16	10.07
125⅛	114¼	Treas. 12½pc 2003–05	116⅛	−⅛	10.73	10.24
90⅞	82¼	Treas. 8pc 2002–06‡‡	83⅞	−⅛	9.54	10.00
118⅞	108⅞	Treas. 11¾pc 2003–07	110⅝xd	−⅛	10.63	10.26
96⅞	86⅞	Treas 8½pc 2007 ‡‡	89xd	−⅛	9.55	9.83
134⅝	122¼	Treas 13½pc '04–08	124⅞	−⅛	10.84	10.19
101⅛	91⅞	Treas. 9pc 2008 ‡‡	93⅛	−⅛	9.64	9.77
94⅞	91⅞	Treas. 9pc 2008 B	93⅛	−⅛	9.64	9.77
92⅞	83	Treas 8pc 2009	84⅞	−⅛	9.42	9.73
102⅛	91⅞	Conv 9pc Ln 2011 ‡‡	93⅝xd	−⅛	9.61	9.71
68⅝	61½	Treas. 5½pc 2008–12‡‡	62⅞	−⅛	8.77	9.54
89⅞	80⅝	Treas. 7¾pc 2012–15‡‡	82⅞xd	−⅛	9.46	9.67
132⅞	118⅝	Exch. 12pc '13–'17	121⅛	−⅛	9.94	9.74
		Undated				
45⅝	40⅛	Consols 4pc	40⅞xd	−⅛	9.77	−
40⅝	35⅝	War Loan 3½pc‡‡	36⅜	−⅛	9.62	−
70⅞	60⅞	Conv. 3½pc '61 Aft.	61¼	−⅛	5.67	−
41⅛	31¾	Treas. 3pc '66 Aft.	32⅛	+⅛	9.28	−
30¼	25⅞	Consols 2½pc	25⅞xd	+⅛	9.69	−
29½	24⅞	Treas. 2½pc	25⅛	+⅛	9.83	−
		Index–Linked				
		(b)			(1)	(2)
112¼	103⅞	Tr. 2pc '92‡‡(97.8)	112⅜	.....	3.07	4.36
105⅞	94⅞	Do. 2 '94 (102.9)	105⅜	.....	2.92	3.52
155⅞	139⅝	Do. 2pc '96(67.9)	155⅛	+⅛	3.02	3.42
131⅝	118⅞	Do 2½pc '01(78.3)	131⅛	.....	3.39	3.65
128⅝	115⅝	Do. 2½pc '03(78.8)	128⅛	.....	3.46	3.69
131⅞	117⅞	Do. 2pc '06(69.5)	131½xd	.....	3.50	3.69
123⅞	110¼	Do. 2½pc '09(78.8)	122⅞	−⅛	3.50	3.67
128⅛	114⅞	Do. 2½pc '11(74.6)	128	.....	3.49	3.65
107⅛	95¼	Do. 2½pc '13(89.2)	106⅝	.....	3.46	3.61
115¼	101¼	Do. 2½pc '16(81.6)	115⅛xd	.....	3.43	3.58
113⅞	100⅞	Do. 2½pc '20(83.0)	112¾	.....	3.40	3.52
95¼	84⅞	Do. 2½pc '24‡‡(97.7)	95⅛xd	.....	3.35	3.46

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987 Conversion factor 3.945. RPI for April 1989: 114.3 and for November 1989: 118.5

INT. BANK AND O'SEAS

1989/90 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
108⅞	98⅛	African Dv Bk 11¼ Ln 2010	99⅞	−⅛	11.14	11.14
104⅞	94⅛	Asian Dev Bk 10¼pcLn2009	96⅛	−⅛	10.67	10.73
130⅞	117⅞	Australia 13½pc 2010	119⅝	−⅛	11.29	11.07
113⅞	101⅛	Do. 11½pcLn2015	103	−⅛	11.04	11.01
110⅞	98¼	Euro Inv Bk 11pc Ln 2002	100¼	−⅛	10.97	10.95
119⅞	107⅛	Int-Am Dev Bk 12½pc 2003	109⅛	−⅛	11.45	11.14
99¾	89⅞	Do. 9¾pcLn 2015	90⅞	−⅛	10.73	10.80
97½	89	Mlysia 10¾pcLn 2009	90½	.....	11.88	12.02
120	110	Utd. Mexican States 16½pc 2008	110	.....	15.00	14.90

CORPORATION LOANS

1989/90 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
111½	95½	Birmingham 11½pc 2012	100½	.....	11.44	11.40
91	85½	GLC 6¾pc 1990–92	88½	.....	7.63	12.80
124½	115½	Leeds 13¾pc 2006	116½	.....	11.59	11.25
33	29	Liverpool 3½pc Irred.	29	.....	12.07	−
95½	92	LCC 6¾pc '88–90	95½xd	.....	7.07	11.60
30	26	Do. 3pc '20 Aft.	27	.....	11.11	−
107½	99½	Manchester 11½pc 2007	101½	.....	11.33	11.30

COMMONWEALTH & AFRICAN LOANS

1989/90 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988–92	87⅝	−⅛	8.26	12.25
206	206	S Rhod 2½pc Non-Assd.	206	.....	−	−
84½	84½	Do. 4½pc 87–92 Assd.	84½	.....	5.33	9.33

LOANS

1989/90 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		Building Societies				
100½	98⅞	N'wide Anglia 12⅞pc 29.1.90	99⅞xd	.....	12.58	14.91
100	98¾	Do. 12⅞pc 26.2.90	99⅞	.....	12.76	15.28
100	98⅞	Do. 12⅞pc 19.3.90	99⅞	.....	12.94	15.20
100⅞	98⅞	Do. 13⅛pc 23.4.90	99⅛	.....	13.46	15.17
100	98⅞	Do. 13pc 14.5.90	99⅛	.....	13.50	15.14
100	98⅝	Do. 13⅞pc 4/6/90	99⅞	.....	13.76	15.07
100⅞	99¼	Do. 14⅛pc 2.7.90	99⅞xd	.....	14.36	14.99
100¼	98⅞	Do. 13⅝pc 23.7.90	99⅞	.....	13.71	14.97
100	98⅞	Do. 13⅛pc 13.8.90	99⅛	.....	13.56	14.96
100	98⅞	Do. 13½pc Bds 3.9.90	99⅛	.....	13.63	14.85
107¼	98½	Do. 3⅞pcIL Ln 2021	107¾	.....	4.53	4.50
107½	99¼	Do. 4.25pcIL '24	107¼	.....	4.30	4.31
		Public Board and Ind.				
47	43	Met. Wtr. 3pc 'B'	45xd	.....	6.67	10.86

FOREIGN BONDS & RAILS

1989/90 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
50	40	Greek 7pc Ass	50	.....	3.50	f7.00
50	40	Do. 6pc 28 Stb. Ass.	50	.....	3	f6.00
50	40	Do 4pc Mixed Ass.	50	.....	2	f4.00
80	65	Hung. '24 Ass	80	.....	2.75	f3.57
139⅞	125⅞	Hydro Quebec 15pc 2011	127⅞	−⅞	15.00	11.52
128⅞	113⅞	Iceland 14½pc Ln 2016	116	−½	14.50	12.41
97⅛	90	Ireland 9¾pc '91–96	90¼	−¼	10.74	11.90

AMERICANS

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

Money Market Trust Funds

Money Market Bank Accounts

Continued on next page

LONDON SHARE SERVICE

• Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS—Contd

1989/90 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
15⅛	8.47p	Hasbro Inc 50c	12½	+1	16c	–	0.8
57½	32¾	Honeywell $1½	54⅝	+1⅛	$2.75	–	3.2
22⅝	15⅛	Houston Inds 2	21⅞	+⅛	$2.96	–	8.6
76⅛	58⅛	IBM Corpn $1¼	41⅛xd	+2⅛	$4.84	–	5.0
60p	45p	Image Storage/R Sys 1c	45p				–
32⅛	18¼	Ingersoll-Rand $2	31⅛xd	+⅛	$1.20	–	2.4
33¼	22½	Lockheed Crpn $1	25½xd	-1⅛	$1.80	–	4.5
22⅝	10⅞	Lone Star Inds $1	11⅛xd	-⅛	$1.90	–	10.9
28	17½	Louisiana Land 15c	27⅛	+⅞	$1.00	–	2.3
20½	11½	Lowe's 50c	18⅛		48c	–	1.7
28⅛	15⅛	Manuf Hanover $1	21⅛	+1⅛	$3.28	–	9.6
22⅝	13⅛	Merrill Lynch $1	16⅛		$1.00	–	3.9
24¼	19⅛	Moler Inc	24⅛		3.2c	–	–
30¼	18⅛	Morgan (JP) $2½	27⅛xd	+⅛	$1.66	–	3.8
29⅛	22⅛	Morris (Philip)	26⅞xd	+⅛	$1.13	–	2.7
56⅞	36¼	NYNEX $1	56	-½	$4.36	–	4.9
44p	15p	N wide Legal Serv. 1	19p	-2			–
24⅛	18¼	PHH Corp 1	20½	-⅛	$1.16	–	3.6
259p	167p	Pacific Agr 1	195p	+4			–
29⅝	19	Pacificorp $3¼	29⅝xd	-1½	$2.76	–	5.6
31⅞	16⅞	Pacific Telesis 10c	31⅞	+⅛	$1.88	–	3.7
22⅛	15¼	Pall Corp 25c	21¼	+⅛	48c	–	1.4
55⅛	39⅛	Pennzoil $3 1/3c	55⅛xd	+⅛	$3.00	–	3.4
42¼	28⅛	Quaker Oats $5	35⅛	-⅛	$1.40	–	2.5
32⅛	23⅛	Rep NY Corpn $5	32¼xd	-⅛	$1.38	–	2.5
16¼	11⅜	Rockwell Intl $1	15⅛xd	+⅛	78c	–	3.3
29½	22	Sears, Roebuck 75c	24⅛xd	+⅛	$2.00	–	5.2
40¼	21⅝	Southwestern Bell $1	40¼	+⅛	$2.60	–	4.1
27⅞	17⅛	Sun Co. Inc $1	25⅝xd	+⅛	$1.80	–	4.4
31¼	22⅛	TRW Inc. 62½c	31⅛	+⅛	$1.72	–	3.5
24⅛	14⅛	TW Services $5	21⅛				–
40⅛	26¼	Tenneco $5	39⅛	+⅛	$3.04	–	4.9
36⅛	28	Texaco $6.25	36⅛xd	+½	$3.00	–	5.2
28⅛	18⅛	Texas Instr $1	23⅛xd	+1⅛	72c	–	1.9
117⅛	58⅝	Time Inc. $1	81⅝	+⅛	$1.00	–	0.8
19⅛	13⅛	TRINOVA Corp	15⅛		s68c	–	2.8
26⅛	16	USX $1	22⅛xd	+¼	$1.40	–	4.0
325p	126p	Unilab	320p	-5			–
[illegible]							

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

هكذا امنه الاصل

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

For Water Issues see London Recent Equities

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ *Figures or report awaited*
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- § No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x *Dividend cover in excess of 100 times.* y *Dividend* and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p ... γ	93	+3
Craig & Rose £1... γ	830	....
Finlay Pkg 5p ... γ	58	....
Holt (Jos) 25p.... γ	1353	......
Arnotts	405	+5
Carroll (P J) ... γ	162xd	-2
Hall (R. & H.)	195	-5
Heiton Hldgs ... γ	94	+3
IRG	205xd	......
United Drug	150	.....

IRISH

Cap 8½% Ln 1991	£97	......
9pc Cap Ln. 1996	£96	......
Fin. 13% 97/02	£115½	-1

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	42
Amstrad	6½
Astec (BSR)	5½
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	36
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl Beecham A	45
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	36½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark continues to weaken

THE D-MARK continued to weaken yesterday, as euphoria about the democratisation of eastern Europe faded and nervousness abated over the upward trend in Frankfurt interest rates. The recent rise in West German money market rates has been largely technical and a change in official rates is not expected at today's meeting of the Bundesbank council.

The Bundesbank allocated funds at higher rates at this week's securities repurchase agreement tender, but dealers doubted that this pointed to a rise in the 6 per cent discount or 8 per cent Lombard rates. A total of DM36.1bn was allocated at the tender, via DM24.4bn of 29-day funds at 7.70 to 8.15 per cent and DM11.7bn of 57-day money at 7.90 to 8.25 per cent. This virtually replaced DM36.2bn draining from the market as three earlier agreements expired.

At the Paris fixing the D-Mark fell to DM3.4148 from DM3.4186 on Tuesday, but rallied a little to DM3.4160 at the European close, after the Bank of France left its money market intervention rate at 10 per cent and the five-to-10 day repurchase rate at 10¾ per cent. Earlier in the day the central bank offered overnight emergency funds to the market at 11¼ per cent, against 11⅛ per cent on Tuesday, increasing speculation that official interest rates in France were about to rise by ½ or possibly 1 per cent.

The important three-month Treasury certificate rate was raised by 0.15 per cent to 10.40 per cent by the National Bank of Belgium and the Dutch Central Bank also increased the rate at which liquidity is supplied to the domestic money market. The Belgian franc remains among the weaker group in the European Monetary System, but the Dutch guilder is holding firm with the D-Mark towards the top of the system and yesterday's move was not meant to strengthen the currency.

In general yesterday's events, particularly in Frankfurt and Paris, calmed nerves about higher European rates.

The D-Mark weakened, but the Japanese yen rose after intervention to support the currency against the dollar by the US Federal Reserve, Bank of Japan and Bank of England.

The dollar rose to DM1.7205 from DM1.7085; to SFr1.5780 from DM1.5715; and to FFr5.8775 from FFr5.8300, but fell to Y145.65 from Y146.20. Its index was unchanged at 67.9. A larger than expected rise of 9.6 per cent in November US home sales underpinned the dollar.

Overseas demand for shares in UK water companies contributed to a surprising underlying rise of $338m in December UK official reserves. Sentiment surrounding sterling was boosted by this and a rise to four-year highs in North Sea oil prices.

The pound fell 20 points to $1.6100 and to Y234.50 from Y235.75, but rose to DM2.7700 from DM2.7550; to SFr2.5400 from SFr2.5325; and to FFr9.4625 from FFr9.3975. Sterling's index climbed 0.2 to 87.0.

£ IN NEW YORK

Jan.3	Latest	Previous Close
£ Spot	1.6085-1.6095	1.6090-1.6100
1 month	0.84-0.83pm	0.94-0.93pm
3 months	2.39-2.36pm	2.59-2.57pm
12 months	8.38-8.26pm	9.01-8.91pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.3	Previous
8.30 am	86.8	86.1
9.00 am	86.8	86.1
10.00 am	86.9	86.3
11.00 am	86.8	86.4
Noon	86.8	86.4
1.00 pm	86.8	86.4
2.00 pm	86.8	86.6
3.00 pm	86.8	86.4
4.00 pm	87.0	86.8

CURRENCY RATES

Jan.3	Bank rate %	Special‡ Drawing Rights	European † Currency Unit
Sterling ‡	-	1.23135	1.36130
U.S Dollar	7	1.31766	1.18453
Canadian $	12.46	1.52501	1.37571
Austrian Sch.	6½	15.6472	14.2689
Belgian Franc	10¼	46.7572	42.6668
Danish Krone	10½	8.64056	7.88365
Deutsche Mark	6.00	2.22171	2.02792
Neth Guilder	7.00	2.50382	2.29029
French Franc	10¼	7.59435	6.92773
Italian Lira	13½	1666.84	1520.57
Japanese Yen	3¼	N/A	172.566
Norway Krone	8	8.65769	7.86173
Spanish Peseta	-	143.929	131.033
Swedish Krona	9½	8.13392	7.39917
Swiss Franc	6.00	N/A	1.86267
Greek Drach.	20½	N/A	189.016
Irish Punt	-	N/A	0.769026

‡ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Jan 2

CURRENCY MOVEMENTS

OTHER CURRENCIES

*Selling rate

EURO-CURRENCY INTEREST RATES

Jan 3	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15⅛-15	15⅛-15	15⅛-15⅛	15⅛-15⅛	15-14⅞	14⅞-14⅞
US Dollar	8½-8⅜	8⅝-8⅜	8⅜-8¼	8⅜-8¼	8⅜-8¼	8¼-8⅛
Can Dollar	12-11¾	11⅞-11⅝	12-11¾	12¼-11⅞	11⅞-11⅝	11¾-11½
D Guilder	8⅛-8½	8⅝-8½	8⅞-8¾	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞
Sw Franc	10⅛-9⅞	10⅛-10	10¼-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛
Deutschmark	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛
Fr Franc	11⅛-11⅛	11⅛-11⅛	11⅛-11⅛	11⅛-11⅛	11⅛-11⅛	11⅛-11⅛
Italian Lira	13-11	12¼-11¾	13-12½	13-12½	13-12½	13¼-13
B Fr. (Fin)	10-9⅝	10⅛-10⅛	10⅛-10⅛	10⅝-10½	10⅝-10½	10⅝-10½
B Fr. (Con)	10⅛-10⅛	10⅛-10	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛
Yen	6⅛-6⅜	6⅛-6⅜	6⅛-6⅜	7-6⅞	7-6⅞	7-6⅞
D Krone	12⅛-12	12⅛-12⅛	12⅛-12⅛	12⅛-12⅛	12-11⅞	11⅞-11⅞
Asian $Sing	8⅛-8⅛	8½-8⅜	8⅜-8¼	8⅜-8¼	8¼-8⅛	8¼-8⅛

Long term Eurodollars: two years 8⅜-8¼ per cent; three years 8½-8⅜ per cent; four years 8⅝-8½ per cent; five years 8¾-8⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Jan 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6050-1.6135	1.6095-1.6105	0.91-0.89cpm	6.71	2.58-2.55pm	6.37
Canada	1.8675-1.8760	1.8710-1.8720	0.50-0.42cpm	2.95	1.39-1.23pm	2.80
Netherlands	3.11¼-3.13¼	3.12¼-3.13¼	1¾-1½cpm	6.00	4½-4¼pm	5.68
Belgium	58.00-58.45	58.15-58.25	26-19cpm	4.64	67-57pm	4.25

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc 58.05-58.15 Six-month forward dollar 4.98-4.93cpm 12 month 9.00-8.90cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EMS EUROPEAN CURRENCY UNIT RATES

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

CHICAGO

LONDON (LIFFE)

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 76,251

A=Ask B=Bid C=Call P=Put

Estimated volume 3674 (3152)
Previous day's open int. 21744 (21303)

MONEY MARKETS

Very large shortage

There was little change in fixed period interest rates on the London money market yesterday, but day-to-day credit conditions were very tight, mainly as a result of large seasonal tax payments.

Three-month sterling interbank was unchanged at 15⅛-15⅛ per cent and one-year money was also steady at 14⅞-14⅞ per cent. On Liffe short sterling for March delivery fell to 85.43 from 85.47, ignoring the more optimistic forecasts of lower bank base rates in the Spring, but remaining rather expensive if a cut in rates is delayed until the Autumn.

The Bank of England initially forecast a very large credit shortage of £1,750m, but was uncertain about the impact on the market from large flows of tax money and suggested at noon that the shortage may be only £1,350m. In the afternoon it was decided that the early estimate was correct, but total help of only £1,061m was provided.

An early round of help was offered and at that time the authorities gave assistance of £1,241m. This included purchases of £728m bills outright, by way of £311m bank bills in band 1 at 14⅞ per cent and £417m bank bills in band 2 at 14¾ per cent. Another £513m bills were purchased, for resale to the market in equal amounts on January 9 and 10, at an interest rate of 14⅞ per cent.

No further help was provided at noon, because of uncertainty about the overall situation, but in the afternoon, when it was decided the early forecast was correct, another round of assistance was provided. The Bank of England then bought £298m bills outright, via £8m Treasury bills in band 1 at 14⅞ per cent; £31m bank bills in band 1 at 14⅞ per cent; £1m Treasury bills in band 2 at 14¾ per cent; and £258m bank bills in band 2 at 14¾ per cent. Late help of around £35m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £411m, with Exchequer transactions absorbing £1,450m, and bank balances below target £45m. These outweighed a fall in the note circulation adding £145m to liquidity.

In Amsterdam the Dutch Central Bank raised money market interest rates to match recent increases in Frankfurt rates. Banks were invited to tender for money, through six-day special advances, at 8.5 per cent against 8.3 per cent.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.3) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8⅛	offer 8¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9½
Fed.funds	8¾
Fed.funds at intervention	8¾

Treasury Bills and Bonds

One month	6.32	Three year	7.94
Two month	7.36	Four year	7.92
Three month	7.91	Five year	7.92
Six month	7.95	Seven year	8.02
One year	7.84	10-year	7.97
Two year	7.94	30-year	8.03

Jan.3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.95-8.10	8.15-8.30	8.15-8.30	8.15-8.30	8.25-8.40	8.00
Paris	11⅛-11⅛	11⅛-11½		11⅛-11¼		9.50
Zurich	9⅝-9⅝	9⅝-9⅞	-	9¼-9⅛	-	-
Amsterdam	8.70-8.85	8.90-8.95	-	8.90-8.95	-	-
Tokyo	6½-6⅜	6⅜-6⅝	-	6⅜-6⅞	-	-
Milan	12¾-12¾	12⅞-13⅛	-	12¾-13⅛	-	-
Brussels	8.35	10⅛-10⅛	-	10⅛-10⅞	-	-
Dublin	10¼-10⅝	11⅞-11⅞	11⅞-12⅛	12⅛-12⅛	12⅛-12⅛	-

LONDON MONEY RATES

Jan 3	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15⅛	15⅛	15⅛	15⅛	15	14⅞
Interbank Bid	14⅝	15	15⅛	15⅛	14⅞	14⅞
Sterling CDs	-	-	15⅛	15⅛	14⅞	14⅞
Local Authority Deps.	15⅛	15⅛	15	15	14⅞	14⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14⅞	14⅞	14⅞	-	-
Company Deposits	-	-	15⅛	15⅛	15	14⅝
Finance House Deposits	-	-	15⅛	15⅛	15	14⅝
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	13⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14⅞	-
Dollar CDs	-	-	8.30	8.25	8.20	8.15
SDR Linked Dep. Offer	-	-	9⅛	9⅛	9⅛	8⅞
SDR Linked Dep. Bid	-	-	8⅞	8⅞	8⅞	8⅞
ECU Linked Dep. Offer	-	-	11⅛	11½	11½	11⅛
ECU Linked Dep. Bid	-	-	11⅛	11⅜	11⅜	11⅛

Treasury Bills (sell) one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14¾ per cent; three months 14½ per cent; Treasury Bills: Average tender rate of discount 14.4790 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 29 1989. Agreed rates for period January 24 1990 to February 25, 1990. Scheme I: 15.90 p.c. Schemes II & III: 16.38 p.c. Reference rate for period Dec 1, 1989 to December 29, 1989. Scheme IV&V: 15.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from January 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent, nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

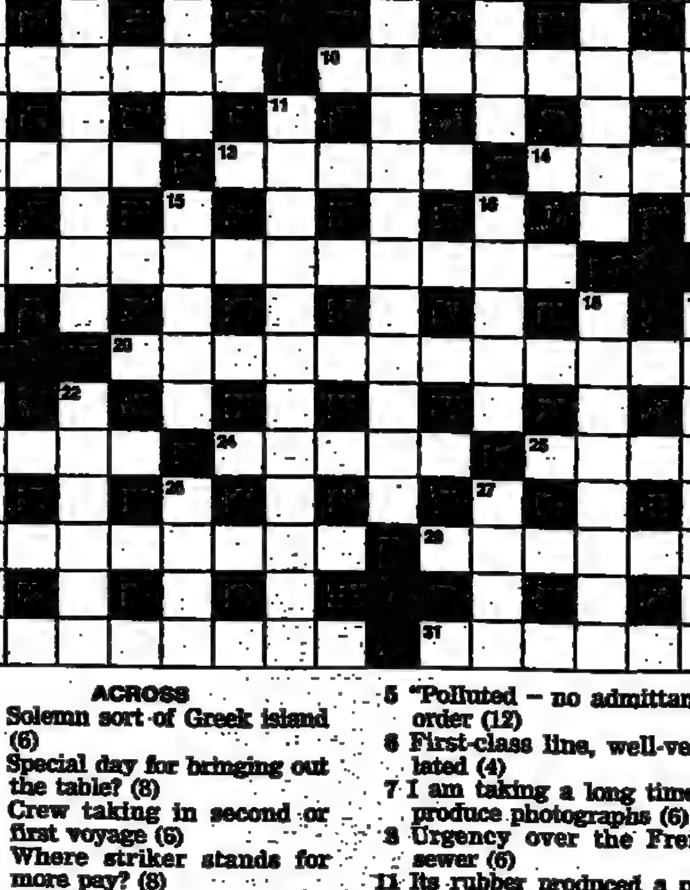
	%		%		%
ABN Bank	15	Comm. Bk. N. East	15	Northern Bank Ltd	15
Adam & Company	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Trust Bank	15	Coutts & Co	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Cyprus Popular Bk	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
Associates Cap Corp	14	Duncan Lawrie	15	Roxburghe G'rantee	15½
Authority Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Bank of Baroda	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16	Standard Chartered	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	TSB	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	● United Bk of Kuwait	15
Bank of Cyprus	15	Girobank	15	United Mizrahi Bank	15
Bank of Ireland	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of India	15	HFC Bank plc	15	Western Trust	15
Bank of Scotland	15	● Hambros Bank	15	Westpac Bank Corp.	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Barclays Bank	15	Heritable & Gen Inv Bank	15	Yorkshire Bank	15
Benchmark Bank PLC	15	● Hill Samuel	§15		
Brit Bk of Mid East	15	C. Hoare & Co.	15		
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bank	15		
Clydesdale Bank	15	Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		
		NatWestminster	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£10,000+ instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

JOTTER PAD

CROSSWORD

No7,129 Set by DINMUTZ



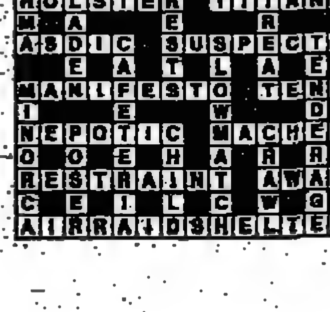
ACROSS

1 Solemn sort of Greek island (6)
4 Special day for bringing out the table? (8)
9 Crew taking in second or first voyage (6)
10 Where striker stands for more pay? (8)
12 Architect employing northern wood (4)
13 Plaintive cry from stable at Ambridge (5)
14 Softwood trade (4)
17 Ground from which ice is removed (7-5)
20 Low, perhaps, this drawer for papers (12)
23 One side of old records of American composer (4)
24 Elizabeth I's favourite county (5)
25 Guy to embrace with love (4)
28 Vessel for cooling tar in the air? (8)
29 Start swimming free-style with bad hand? (6)
30 Author taking baggage east (8)
31 A soft fruit in show (6)

DOWN

1 Article in French newspaper is sparkling stuff (8)
2 Chief support for power-source on river (8)
3 University where none are gated? (4)
5 "Polluted – no admittance" order (12)
6 First-class line, well-ventilated (4)
7 I am taking a long time to produce photographs (6)
8 Urgency over the French sewer (6)
11 Its rubber produced a powerful spirit (8,4)
15 Fight non-stop? (5)
16 Weight of box? (5)
18 Bad handling of motorway banger with a bit missing (8)
19 Walker gives wave on street (8)
21 Ticket in quarters (6)
22 Prefer a shed like this? (4-2)
26 A bit of ancient Greece (4)
27 Porgy takes Sunday football trophy (4)

Solution to Puzzle No.7,128



WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

ITALY (continued) [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices January 3

[illegible]

f – No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Jan 2	Dec 29	Dec 28	Dec 27	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2810.15	2753.20	2732.30	2724.40	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	92.98	92.94	93.07	93.02	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1201.10	1177.81	1174.43	1172.30	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	236.23	235.04	235.41	234.78	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2811.65 (2763.01) Low 2732.51 (2726.96)

STANDARD AND POOR'S

	Jan 2	Dec 29	Dec 28	Dec 27	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	359.69	353.40	350.67	348.81	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	411.20	403.38	400.50	398.16	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	31.81	31.30	30.94	30.78	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	198.00	195.01	193.59	192.69	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	381.53	378.00	373.90	372.96	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	459.33	454.82	449.98	448.81	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec 29	Dec 15	Dec 8	year ago (approx.)
Dow Industrial Div. Yield	3.87	3.89	3.90	3.70

	Dec 27	Dec 20	Dec 13	year ago (approx.)
S & P Industrial div. yield	2.95	2.90	2.90	3.19
S & P Indl. P/E ratio	14.74	14.51	14.92	12.89

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Philip Morris	2,169,800	42¼	+ 1⅛
Gen Electric	1,842,200	66¾	+ 2⅛
Am T&T	1,811,900	46½	+ 1
IBM	1,760,400	98	+ 3¾
Manf Hanover	1,733,000	34⅞	+ 1½
Navistar Intl	1,568,700	4⅞	+ ¼
Unisys Corp	1,390,500	15⅝	+ ⅞
Exxon	1,331,500	50	.....
Advanced Micro	1,272,000	8⅛	+ ⅛
Texas Util	1,187,600	35¼	+ ⅛

TRADING ACTIVITY

† Volume Millions	Jan 2	Dec 29	Dec 28
New York	162.070	145.940	128.030
Amex	11.394	15.681	12.655
NASDAQ	110.716	164.112	128.971
Issues Traded	1,991	1,975	1,977
Rises	1,254	1,071	835
Falls	404	465	673
Unchanged	333	439	469
New Highs	113	94	64
New Lows	5	39	47

CANADA

TORONTO	Jan 2	Dec 29	Dec 28	Dec 27	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3427.33	3354.18	3306.60	3308.57	3919.2 (1/9/89)	3207.5 (3/1/89)
Composite	4004.37	3969.79	3932.24	3932.18	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	2054.14	2030.83	2011.92	2011.24	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan. 3	Jan. 2	Dec. 29	Dec. 28	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1686.2	1654.7	1649.0	1648.8	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	852.3	838.8	834.7	838.1	875.1 (25/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	556.54	526.59	(c)	493.07	556.54 (3/1/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6560.06	6490.06	(c)	6476.39	6605.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	360.33	358.77	363.22	360.90	363.22 (29/12/89)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	596.4	590.5	609.0	615.4	815.3 (18/4/89)	530.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	(u)	553.0	555.7	552.0	561.6 (11/10/89)	417.9 (4/1/89)
Ind. Tendance (29/12/89)	(u)	98.89	-	-	99.99 (2/1/90)	98.89 (2/1/90)
GERMANY						
FAZ Aktien (31/12/58)	774.96	746.24†	(c)	749.95	774.96 (3/1/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2291.3	2203.6	(c)	2190.2	2291.3 (3/1/90)	1595.7 (27/2/89)
DAX (30/12/87)	1869.66	1814.38	(c)	1790.37	1869.66 (3/1/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2858.72	2838.07	2836.57	2895.43	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1845.35	1792.47	1765.87	1749.07	1848.93 (10/8/89)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	(u)	(u)	687.44	687.58	734.54 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	(c)	(c)	38915.87	38876.94	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	(c)	(c)	2881.37	2870.32	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	(c)	(c)	3939.15	3910.89	3939.15 (29/12/89)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite	582.68	571.88	562.28	-	-	-
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	269.0	265.7	264.3	262.4	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	206.3	203.9	202.8	201.3	210.5 (8/5/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	724.69	701.67	686.89	677.43	724.69 (3/1/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1109.74	1115.45	1104.57	1104.50	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore	421.69	417.07	411.67	-	-	-
SOUTH AFRICA						
JSE Gold (28/9/78)	2017.04	2029.0	2049.0	2253.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	2808.04	2795.0	2790.0	2766.0	2826.0 (25/8/89)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	908.59	(c)	(c)	(c)	1037.50 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	301.43	297.55	296.80	296.93	328.93 (13/5/89)	263.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	4290.9	4246.7	4275.4	4244.9	4650.3 (16/5/89)	3333.9 (2/1/89)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	782.5	(c)	(c)	760.6	829.1 (5/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	(c)	(c)	(c)	9624.18	10773.11 (25/9/89)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	897.34	899.61	879.19	870.49	899.61 (2/1/90)	385.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	569.0	567.3	565.8	569.0 (2/1/90)	457.6 (15/6/89)

**Saturday Dec. 30. Taiwan Weighted Price (c) Korea Comp Ex. (c)

♦ Subject to official recalculation. † Correction

Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX – 1,000; JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

3pm prices January 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	24	AAR	.48	1.3	22	1248	36⅞	35⅛	36⅜	+ ½
9⅝	8½	ACM n	1.26	13.		183	9⅝	9⅛	9⅝	+ ¼
11⅝	10⅝	ACMIn	1.29	12.		318	11	10⅞	10⅞	
9⅞	8	ACMM	n1.07	11.		384	9	8⅞	9	+ ¼
11½	10	ACM Sc	1.26	11.		782	11	10⅞	11	
9⅝	8⅝	ACMSp	1.01	11.		330	9⅛	9	9	– ⅛
19¾	11½	AL Lab	.16	.8	20	363	u19⅜	18¾	19¼	+ ⅜
4⅛	3⅛	AMCA	.12e	3.3	9	230	3⅞	3½	3⅝	
6⅛	3⅞	AM Ind			9	875	4⅛	3⅞	4	
20½	16⅝	AM In pf	2	11.		224	17⅝	17½	17½	
107¼	52⅛	AMR			7	6236	60⅛	59⅝	59⅞	
27	25	ANR pf	2.67	10.		5	25⅞	25⅞	25⅞	– ⅛
8½	3⅛	ARX				64	3⅝	3½	3½	
59¾	38	ASA	3a	5.5		1293	55⅛	54	54½	– 1
31¼	16¼	AVX	.24	.8	29	564	30⅞	30¾	30⅞	+ ⅛
70⅞	46¼	AbtLab	1.40	2.0	19	2880	69⅝	69	69½	+ ¼
18¼	11⅛	Abitibi g	.50			40	11⅝	11½	11½	– ⅛
13	9¼	AcmeC	.40	3.7	14	81	11	10¾	10¾	– ¼
9⅛	8	AcmeE	.32	3.6	12	140	9	9	9	
38½	22	Acusn			22	1675	33⅛	31⅞	32⅛	+ ⅞
16⅛	12⅞	AdaEx	2.06e	13		94	u16⅛	16	16⅛	+ ⅛
15⅝	6½	Adobe				124	14⅝	13¾	13⅞	– ⅝
20¼	18½	Adob pf	1.84	9.2		38	20	20	20	– ⅛
21⅝	19⅜	Adob pf	2.40	11.		3	21⅝	21⅝	21⅝	+ ⅛
10⅞	7⅛	AMD				2083	8¼	7⅞	7⅞	– ⅜
35	29½	AMD pf	3	9.9		35	30⅜	30	30⅜	+ ⅜
10⅛	6⅝	Advest	.16	2.2	10	135	7½	7⅜	7⅜	– ⅜
62½	46⅝	AetnLf	2.76	4.8	9	2308	58⅛	57¼	57⅜	– ⅛
14	11	AhlPb	.24	2.1		344	11⅝	11½	11½	– ¼
25	15¾	Ahmans	.88	4.7	9	1125	19⅛	18¾	18⅞	– ⅛
3⅞	2¼	Aileen				5	2½	2½	2½	
49½	40	AirPrd	1.32	2.7	12	1991	u49⅜	49	49⅛	– ⅛
39⅝	20⅞	AirbFrt	.60	1.6	19	454	36⅛	35⅞	36⅛	+ ⅜
25⅛	14⅞	Airgas			13	85	23⅛	22⅞	22⅞	– ⅛
[illegible]										

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12⅛	9⅞	PDPI n	.10e	1.0		62	10½	10⅜	10½	+ ⅛
12⅝	12⅛	PDIF n	.46a	3.7		652	12⅝	12⅛	12⅜	+ ⅛
8⅛	6½	PHICB	.55	12.		255	6⅞	6⅜	6⅜	
10⅝	9⅛	PHYM n	.78	8.3		169	9⅜	9¼	9⅜	+ ⅛
9½	8⅜	PIGIT	1.01	11.		842	9⅛	9	9	
12⅛	10½	PIGM n	.07e	.6		206	11⅛	10⅝	11⅛	+ ⅜
10¼	9⅜	PMMI	0.75a	7.9		230	9½	9⅜	9½	
9⅜	7⅜	PMIT	1.03a	13.		1379	7⅞	7⅜	7⅞	
9⅝	7⅞	PMIT	1.10a	13.		760	8¼	8⅛	8¼	
9⅜	7⅝	PPrIT	1.14	14.		2089	8⅛	8	8⅛	
12⅛	7⅛	QMS			8	1386	u12½	11⅞	12⅛	+ ⅞
1	5-32	Qantel				345	15-64	13-64	13-64	
65⅞	49⅜	QuakrO	1.40	2.4	21	2419	58⅛	57⅜	57⅝	− ⅛
19⅝	13⅝	QuakSC	.80	5.5	26	700	14¾	14⅝	14⅝	+ ⅛
19	13¼	Quanex	.40	2.6	7	386	15⅛	15	15⅛	
31¾	25	Quanx pf	2.28	8.8		11	26	26	26	
50½	28½	Quantm	.3a	9.9	2	1139	31⅛	30	30⅝	− ⅝
13½	10⅝	QstrVI	1.20a	9.2		128	13⅛	12⅞	13	− ⅛
14⅝	8½	QstVC				749	u14½	14¼	14¼	+ ⅛
39⅝	31⅛	Questar	1.92	4.9	16	282	39¼	38⅞	39	+ ⅝
18¼	10⅞	QkReily	.28a	1.9	13	108	15	14½	14⅞	+ ½
— R—R—R —										
12	9⅞	RAC	1.20a	12.		103	10⅜	10¼	10⅜	
8⅜	1⅞	RAD	.53e	18.		115	3	2⅞	2⅞	− ⅛
10½	7⅞	RLC	.20b	2.2	10	422	9¼	8⅞	9⅛	+ ⅜
9½	6⅞	RLI Cp	.40	4.4	6	33	9	8⅞	9	+ ⅛
19¼	11¼	ROC Fd	.38e	2.8		320	13½	13⅜	13½	+ ⅛
8⅛	5⅛	RPC			18	263	6⅞	6⅞	6⅞	
6⅝	5⅜	RPS	.81e	14.	6	118	5⅞	5⅝	5⅞	
85¼	33⅞	Racal	1.21e	1.9	62	952	65¼	64¾	64⅞	+ ⅜
101½	78¼	RalsPur	1.65	2.0	13	640	83⅞	83½	83⅝	− ⅛
8⅝	5	RangrO			29	2667	6⅛	5⅞	6⅛	+ ⅛
39⅛	20¼	Raycm	.32	1.0	32	653	32½	31⅞	32⅛	+ ⅛
19⅛	10½	RJamF	.24	1.5	7	95	16	16	16	+ ⅛

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21½	16⅞	ZenNtl	.84	4.6	9	25	18½	18⅜	18⅜	− ⅛
10	6½	Zenix	1.20	17.		67	7⅛	7	7⅛	+ ⅛
18½	13⅞	Zero s	.40	2.4	15	221	16½	15¾	16½	+ ⅞
44¾	25¾	Zurnin	.76	1.8	19	392	47½	40⅝	41½	+1
12⅝	10	Zweig	1.12e	8.9		303	12⅝	12½	12⅝	
9⅞	8¾	ZweigTl	.86	9.7		767	9⅞	9¾	9⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices January 3

NASDAQ NATIONAL MARKET

3pm prices January 3

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Worthg	.56	17	1055	23⅛	22⅞	23	+ ⅛
Wyman	.80		133	14½	14⅜	14⅜	
— X—Y—Z —							
XL Data s		7	562	10¾	10	10	− ⅝
XOMA			4751	24½	23¼	24⅛	+ ⅞
Xicor		8	751	4⅛	4	4	
YankEnS	.76e	13	54	21¾	[illegible]	21⅛	
YellowF	.76	12	416	27½	27⅛	27⅛	
YorkRs		17	505	u 9⅞	8⅞	8⅞	− ⅝
ZionUt	1.44		133	29½	29½	29½	+ ½

AMERICA

Dow defies profit-taking to hold its record level

Wall Street

AN EXTREMELY active morning session on Wall Street saw trading in a narrowly mixed range as traders took profits after the previous day's record high for the Dow Jones Industrial Average, *writes Karen Zagor in New York.*

At 1.30pm the Dow Jones Industrial Average was up 0.64 points at 2,810.79, after falling more than 4 points in the first hour of trading. Volume on the New York Stock Exchange was heavy, with more than 134.9m shares changing hands. On the big board, advancing issues had a thin edge on those declining.

Among other Dow Jones stock averages, the transportation sector fell 5.51 points to 1,195.59, the utilities average was down 1.13 points at 235.10 and the composite slipped 1.96 points to 1,051.69.

The mixed tone of the stock market was reflected in broader-based indices. At 1.30pm, the Standard & Poor's 500 index was down 0.69 points at 359.00. The New York Stock Exchange Composite was down 0.17 at 197.83, while the American Exchange Composite added 0.28 points to 381.81.

The stock market was encouraged by the release of single-family home sales, which indicated that the economy is not heading towards a recession. New single-family home sales for November rose 9.6 per cent to an annual rate of 710,000 units, well above the projected 1 per cent to 2.5 per cent analysts had forecast.

The news put further pressure on the bond market, where the bellwether 30-year bond fell ½ point in mid-session trading. Both markets are now waiting for today's release of employment figures for December as further evidence of the direction of the economy.

Technology issues held on to their gains on Tuesday to move higher in mid-day trading yesterday. IBM inched back towards the $100 level to gain $1⅛ at $99⅛. Digital Equipment was up $1-7/7 at $86, Compaq Computer added $2 to $85⅛, Cray Research rose $⅞ to $41 and Apple Computer gained $⅛ to $37⅞.

Among other featured stocks, Showboat slid $¾ to $8⅞ after the company said it would record a larger fourth quarter loss than it had forecast earlier. However, the company said it would report profits for 1989 and it also announced board approval of the repurchase of up to 4 per cent of its common shares.

Oracle Systems fell $1⅛ to $22⅝ after the company said it plans an offering of $100m of convertible debt. Oracle also posted earnings for the November quarter which were higher than most estimates.

Among the big three automakers, Chrysler and General Motors moved lower yesterday morning after rising a day earlier on the back of better-than-expected mid-December sales. Chrysler was off $⅛ at $20 and General Motors was down $⅛ at $44¼. Ford, however, gained $¼ to $45½.

Blue chip issues were mixed yesterday at mid-session. Philip Morris added $⅜ to $43⅝, Johnson & Johnson gained $⅛ to $60, Merck rose $⅝ to $79¼, General Electric lost $⅝ to $66⅝ and American Telephone and Telegraph slid $⅜ to $46¼.

Canada

TORONTO responded positively in low volume to the mood on Wall Street, although gold shares were hit by a fall in bullion prices.

The composite index rose 12.7 to 4,017.1 by the midsession on volume of 12.1m shares. Advances led declines by 258 to 205.

Gold prices hit their lowest price for six weeks, with the gold sector index losing 123.35 at 7,156.24.

Japan begins dreaming of the 21st century

Michiyo Nakamoto reviews a surprising year in Tokyo and considers the road ahead

"IN THE long run," said an official at a leading securities firm, "investors know that the Japanese market is where the best profits can be made."

He was reflecting on the rush of activity that Tokyo saw towards the end of 1989, a year which had looked singularly unimpressive until the past few months.

For a good part of 1989, the market had lagged both London and New York. The year brought more than its normal share of negative news which kept the market under a cloud of gloom that lasted until the worldwide stock market collapse in mid-October.

In January, Emperor Hirohito had died and there had been a barrage of revelations in the Recruit share sale scandal. An explosion of public anger and resentment over the Recruit affair, a new consumption tax and the government's policy of agricultural liberalisation brought a degree of political uncertainty not seen for some time in Japan.

For the first time in 30 years, the ruling Liberal Democratic Party (LDP), which lost its majority in the Upper House of the Diet (Parliament) in elections in the summer, faced a serious threat to its unchallenged hold on government.

Against this background of political turmoil, the yen weakened steadily against the US dollar, short-term interest rates climbed and the Bank of Japan was compelled to raise the official discount rate three times in the course of the year.

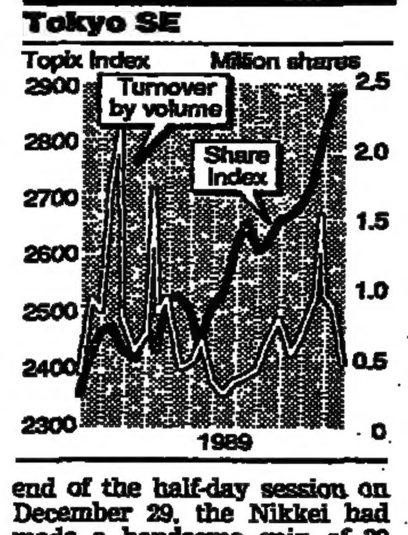
The result was that for most of the year, the stock market looked decidedly fragile – a condition confirmed in the summer when nervous securities industry leaders and finance ministry officials agreed not to go ahead with another mega-flotation of government shares of Nippon Telegraph and Telephone (NTT).

The market's fortunes seemed to turn after the October mini-crash. It recovered much more quickly than other leading markets, climbing above its pre-crash levels within days. Then, in a triumphant year-end rally, institutions and individuals alike chased issue after issue on whatever theme or news took their fancy.

Events unfolding in Eastern Europe inspired great optimism at a time when worries over the yen and interest rates were receding. But more than anything, investors seemed to be driven simply by the desire to recapture the fun and profits they had so far missed.

In the last two and a half months of frenetic activity, the Nikkei average rose 11 per cent, or more than 3,900 points, from 34,996 on October 17 to 38,916 on the last day of trading for the year. Higher futures prices triggered arbitrage buying that shored up the cash market whenever it seemed in danger of running out of steam. Volume was admittedly somewhat weak, but by the end of the half-day session on December 29, the Nikkei had made a handsome gain of 29 per cent on the year, outdoing Wall Street in the process.

Tokyo SE



Given the strength of the Japanese economy, this should perhaps not come as a surprise. The market always had a powerful domestic economy on its side, as well as an array of themes, and dreams, to encourage buying.

The economy is estimated to have grown by more than 5 per cent last year. Corporate profits (excluding utilities and the oil sector) rose 14 per cent, adding to the liquidity that has been a driving force behind the market.

The ability of corporations to raise funds cheaply on the markets and their eagerness to channel some of those funds back into equities gave the market substantial support by maintaining a balance between supply and demand.

The structural changes taking place in Japan, including deregulation and the shift to a domestic demand-led economy, provided the themes last year. There were expectations of wide-ranging improvements in infrastructure, of new and profitable uses for urban land, and of demands for a better life style from a wealthier and more cosmopolitan population.

Soaring corporate profits also focused attention on individual companies supported by the capital spending boom, such as makers of factory automation equipment.

These areas are expected to attract continuing interest this year since the US, faced with a slowdown in its own economy and mid-term congressional elections in the autumn, is likely to exert greater pressure on Japan to increase imports and carry out structural changes. Restructuring in sectors such as the retail and distribution industries, where the US has complained of impediments, will remain a focus of attention.

Analysts expect that the 4.5 per cent growth forecast for the Japanese economy this year will be achieved mainly through private consumption, and to a lesser extent by capital spending. Themes related to improvements in the standard of living and corporate earnings are therefore likely to remain in the limelight.

The Japanese are expected to seek better and bigger homes, more leisure time and opportunities, a cleaner environment and even higher quality consumer goods. Thus housing shares, particularly those of upmarket house builders, and retailers offering luxury goods, are likely to attract attention, while restructuring and takeover speculation could maintain interest in rumoured targets.

However, it was the historic developments in Eastern Europe that offered the greatest potential for speculation as last year drew to a close, and this theme is likely to be dominant in 1990 as well. Trading companies with specific projects in communist countries may become increasingly popular.

Regardless of the actual potential of Eastern Europe as a home for Japanese goods, the idea of a vast market opening up, at the same time as significant moves are being made on arms reduction, has given investors a bright outlook on the world's economy.

More specifically, it has given them the promise of even more growth ahead for the Japanese economy.

The dream of a new era of world prosperity goes hand in hand with the vision of new frontiers in technology and space. As Mr Norio Watanabe, director of Credit Suisse Investment Advisory, says of the market after 1991, "investors will be buying hopes and aspirations for the 21st century." The indications are that they have already started doing so.

EUROPE

Laggards begin to move in West German bull run

THE HAPPENINGS in West Germany continued to dominate the continental scene yesterday, although performances in Wall Street over Tuesday night, and in London yesterday had some effect elsewhere, *writes Our Markets Staff.*

FRANKFURT was still betting on a Japanese invasion today, after Tokyo's five-day holiday break. At midsession, the FAZ index hit its awaited all-time high in fine style with a rise of 28.72, or 3.8 per cent to 774.96, easily passing its April 1986 peak of 753.88. Turnover virtually doubled to a record DM13.1bn.

German, British and Swiss professionals continued to ignore a weak domestic bond market and other bear points. The DAX index posted its 10th consecutive increase to close the day 55.28, or 3 per cent higher at 1,869.66, and share prices continued to rise in after-hours trading.

The conventional bull run on blue chips like Deutsche Bank, Siemens and Volkswagen was augmented as chemicals, the laggards of 1989, began to catch up. Bayer rose DM15.70 to DM334.50, and BASF by DM14 to DM315.90.

Another stock to play this game was Lufthansa, strongest riser of the day with a jump of DM12.50, or 6 per cent to DM218 after a poor relative performance in recent months.

MILAN rose by about one percentage point as technical problems prevented the calculation of the Comit index for the second day running. But as was suspected to be the case in Frankfurt, most of the buying seemed to originate with professional speculators rather than institutional investors.

The De Benedetti group rose; Olivetti led, with a L155 rise to L7,630 on an unconfirmed newspaper report that it is looking for an industrial partner. Cir, the key holding company of the group, rose L55 to L5,040.

ZURICH opened its new year with strong gains in blue chips and the Crédit Suisse index 13.3, or 2.1 per cent, higher at 632.7. Volume was reported to be heavy, with foreign investors less worried than their Swiss counterparts about the high level of domestic interest rates.

PARIS failed to mirror the excitement in leading markets around the world as local investors grew increasingly nervous about rising short-term interest rates. Foreigners appeared to be preoccupied with Germany, and trading in Paris was fairly thin.

There was concern that the increase in short-term rates would prove more than a temporary phenomenon, leading either to a realignment within the European Monetary System, or to a rise in official French interest rates, said one analyst. Yesterday, however, the Bank of France left its intervention rate at 10 per cent.

The CAC 40 index finished 8.96 lower at 1,979.89, off earlier lows. Individual share price movements were erratic, reflecting the market's lack of direction. Eurotunnel was one of the busiest stocks, surging FFr5.50, or 9.4 per cent, to FFr64.10 amid expectations that a refinancing package for the Channel tunnel project was close to completion.

GTM-Entrepose, the construction stock, jumped FFr130 to FFr1,340, but in thin volume, having been described by some brokers as a recovery situation, while Géophysique, which does seismic testing, was driven up FFr85 to FFr1,025 by the strong oil price.

Paribas continued to suffer from the perception that hostile relations with Navigation Mixte had been patched up, halting stake-building speculation; it fell FFr14 to FFr686.

Another loser was heavyweight Bouygues, which fell FFr19 to FFr650 on concern over recent purchases, including its acquisition of Grands Moulins de Paris.

MADRID began nervously but picked up when investors saw what was happening in Germany and the UK. The general index rose 3.88 to 301.43, but volume remained modest. Telefonica gained Pta14 to Pta931, boosted by the overnight rise on Wall Street where it is traded in ADR form.

AMSTERDAM closed higher on the coat-tails of Wall Street, London and Frankfurt, as foreign buying helped to offset domestic nervousness about the possibility of higher interest rates. The rebased CBS tendency index rose 1.6 to 119.5 in much healthier turnover than of late, at Fl 874m.

Royal Dutch was boosted Fl 2 to Fl 150.50 by the strength of oil prices. Hoogovens gained Fl 1.10 to Fl 89.90, Akzo rose 70 cents to Fl 141.20, and Daf, the truck maker, edged up 10 cents to Fl 42.90, before new year statements today.

OSLO hit a new peak on the back of rising crude oil prices, the all-share index closing 16.81 up at a record 556.75. The previous high of 544.92 was reached on September 28 last year. In heavy trading of NKr604m, Norsk Hydro added NKr6 to NKr179, while Saga Petroleum closed NKr3 up at NKr70.5.

BRUSSELS rose on renewed buying interest after the holiday period, positive signals from the Government on the economy and the gains made on Wall Street. The cash market index closed 70 ahead at 6,560.06.

Petrofina added BFr300 to BFr12,600 on the back of rising crude prices and a rumour that the company may be able to recover Romanian oil interests nationalised after the Second World War.

ASIA PACIFIC

Singapore and Malaysia hit all-time highs

WITH Tokyo and Taiwan still closed yesterday, most Asia Pacific markets rose in appreciation of Wall Street's overnight performance, *writes Our Markets Staff.*

SINGAPORE might be the exception, as far as the cause was concerned. The Straits Times index (STI), its most widely followed market barometer, soared past its all-time high of August 1987 with a gain of 22.53 to 1,521.99, credit going to retail, institutional and overseas investors following Tuesday's local initiative.

Once again, Malaysian stocks on the new over-the-counter market dominated the list of most heavily traded shares; but the STI, recalculated to exclude Malaysians after their withdrawal from Singapore listings this week, reflects the fact that the biggest price gains came in Singapore blue chips.

Winners led losers by 188 to 61 with 102 unchanged. Volume rose to 196m shares and S$274m from 135m and S$165m.

KUALA LUMPUR celebrated its stock market independence with a brace of records, the KLSE composite index rising another 10.80 to a high of 582.68 and turnover from 134m to 202m shares against the December 26 peak of 136m.

AUSTRALIA said something similar as the All Ordinaries index closed 31.5, or 1.9 per cent, higher at 1,686.2 and turnover recovered to a moderate 81m shares and A$177m from the thin 42m and A$53m of Tuesday.

Blue chip industrial and resource stocks were dominant with BHP, Australia's biggest company, leading the actives list in turnover of 1.4m shares, up 22 cents at A$9.64.

An easing Australian dollar, and a growing feeling that high domestic interest rates might soon ease, added to the firm tone of the market.

Bond Media, which is controlled by Bond Corp, rose 2 cents to 13 cents as it disassociated itself from its parent's debt position; but Bell Group, another Bond associate, slipped 5 cents to 25 cents.

NEW ZEALAND stretched itself as the Barclays index put on 77.67, or 3.8 per cent, to 2,072.13 in moderate turnover of 5m shares and NZ$10.2m. Brierley Investments stood out, topping the most actives list with a 15-cent rise to NZ$2.11.

HONG KONG saw profit-taking erode sharp early gains, but the Hang Seng index ended 20.65 higher at 2,858.72; turnover fell by HK$40m to a low HK$458m. Utilities posted the day's best gains, followed by property issues.

MANILA ended slightly lower in thin trading as institutions and big retail investors stayed on the sidelines, showing their continued concern over the country's economic and political future.

Small investors focused on speculative oil stocks to the detriment of blue chips, and the composite index eased 5.71 to 1,109.74.

SEOUL balanced gains by the financial sector with sharp declines in Pohang Iron & Steel, and Korea Electric Power, which together account for 16 per cent of the composite index. The latter finished a short post-holiday session 1.13 lower at 908.59.

● Following the delisting of Malaysian companies from the Stock Exchange of Singapore, the Straits Times industrial index is replaced in our Indices panel by the SES All-Singapore index. The Kuala Lumpur Stock Exchange Composite index is shown separately.

SOUTH AFRICA

WEAKER gold bullion prices pegged back shares in quiet trading in Johannesburg. The JSE all-gold index closed 11 points down at 2,017, although the industrial index retained a more positive note.

Ofsil closed R2.50 lower at R117.50, while Kloof closed 75 cents off at R42.75. However, De Beers ended R1.50 higher at R63.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 2 1990						FRIDAY DECEMBER 29 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	151.42	+0.0	139.26	127.80	+0.3	5.33	151.38	139.18	127.42	160.41	128.28	146.48
Austria (19)	193.15	+6.0	177.65	171.23	+7.1	1.42	182.20	167.52	159.93	193.15	92.84	97.53
Belgium (63)	154.78	+0.1	142.36	136.08	+0.2	4.09	154.67	142.21	135.79	154.88	125.58	135.03
Canada (120)	153.46	+0.8	141.14	128.98	+1.0	3.11	152.18	139.92	127.66	154.17	124.67	124.67
Denmark (36)	237.50	−2.0	218.43	214.24	−1.2	1.47	242.22	222.71	216.77	242.22	165.35	159.75
Finland (26)	131.29	−1.5	120.75	112.16	−0.8	2.51	133.30	122.56	113.09	159.16	118.63	129.98
France (126)	154.04	−1.3	141.67	140.87	−0.5	2.65	156.03	143.46	141.59	156.44	112.57	115.64
West Germany (96)	123.16	−0.4	113.28	109.40	+0.6	1.92	123.72	113.75	108.80	124.05	79.56	90.40
Hong Kong (48)	117.28	+0.1	107.87	117.61	+0.2	4.85	117.13	107.70	117.37	140.33	86.41	112.56
Ireland (17)	182.58	+0.6	167.92	166.67	+1.2	2.61	181.54	166.91	164.66	182.58	125.00	131.49
Italy (97)	97.32	−1.1	89.50	93.10	−0.1	2.46	98.43	90.50	93.23	98.75	74.97	86.88
Japan (455)	194.16	−1.6	178.57	179.43	+0.0	0.45	197.40	181.50	179.43	200.11	164.22	193.67
Malaysia (36)	232.05	+1.3	213.42	241.61	+1.5	2.21	229.04	210.59	238.04	232.05	143.35	143.84
Mexico (13)	327.90	+0.7	301.58	957.23	+0.0	0.54	325.47	299.25	957.23	327.90	153.32	160.85
Netherland (43)	143.40	−0.3	131.89	126.26	+0.6	4.22	143.89	132.30	125.50	143.89	110.63	113.45
New Zealand (18)	72.09	+0.0	66.30	64.44	+0.0	5.47	72.09	66.28	64.44	88.18	62.64	68.17
Norway (24)	202.34	+1.2	186.10	182.22	+1.9	1.50	199.85	183.75	178.89	202.34	139.92	144.53
Singapore (26)	179.70	+1.4	165.27	157.26	+1.4	1.85	177.21	162.93	155.16	179.77	124.57	125.35
South Africa (60)	195.99	−0.3	180.25	151.92	−0.1	3.72	196.53	180.70	152.07	197.36	115.35	117.21
Spain (43)	162.69	−0.2	149.63	135.95	+0.6	3.88	163.08	149.94	135.16	169.75	143.14	149.63
Sweden (35)	189.79	−1.2	174.56	175.04	−0.6	1.96	192.05	176.58	176.05	192.05	138.45	142.24
Switzerland (62)	92.33	−1.8	84.92	89.95	+0.0	1.99	94.07	86.49	89.95	94.31	67.81	79.76
United Kingdom (307)	159.44	+0.5	146.64	146.64	+0.5	4.28	158.70	145.91	145.91	159.44	133.28	135.53
USA (542)	145.40	+1.6	133.73	145.40	+1.6	3.22	143.05	131.53	143.05	146.29	112.13	112.13
Europe (994)	142.01	−0.3	130.61	128.75	+0.3	3.29	142.38	130.91	128.34	142.38	112.63	115.63
Nordic (121)	185.01	−1.3	170.16	161.94	−0.6	1.75	187.37	172.27	162.89	187.37	137.95	140.94
Pacific Basin (667)	189.62	−1.5	174.40	175.01	+0.0	0.70	192.59	177.07	174.97	194.72	160.44	188.43
Euro – Pacific (1661)	170.74	−1.1	157.03	156.53	+0.1	1.58	172.66	158.75	156.34	173.24	141.56	159.28
North America (662)	145.78	+1.6	134.08	144.35	+1.6	3.21	143.49	131.93	142.07	146.66	112.79	112.80
Europe Ex. UK (687)	130.11	−0.7	119.67	117.85	+0.2	2.63	131.09	120.53	117.62	131.27	96.30	102.91
Pacific Ex. Japan (212)	135.23	+0.2	124.37	120.37	+0.4	4.80	134.94	124.07	119.90	140.05	111.93	125.86
World Ex. US (1854)	170.48	−1.0	156.79	155.79	+0.1	1.65	172.27	158.39	155.56	172.78	141.49	157.66
World Ex. UK (2089)	160.55	−0.3	147.66	152.80	+0.6	1.94	160.98	148.01	151.86	160.98	136.98	140.69
World Ex. So. Af. (2336)	160.21	−0.2	147.35	152.20	+0.6	2.13	160.54	147.61	151.27	160.54	136.67	140.36
World Ex. Japan (1941)	144.63	+0.8	133.02	138.21	+1.0	3.31	143.47	131.91	136.78	144.63	114.51	114.47
The World Index (2396)	160.43	−0.2	147.55	152.19	+0.6	2.15	160.75	147.81	151.26	160.75	136.68	140.22

Latest prices were unavailable for this edition. Markets closed January 2: Japan, New Zealand and Switzerland.